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Russians Promote Kosygin's Deputy To Full Politburo

By Craig Whitney

[MO]SCOW, Nov. 27 (NYT) — [...] the 75-year-old Soviet pre[mier] Alexei Kosygin, absent and [...] the Soviet leadership today [prom]oted his 74-year-old first depu[ty, N]ikolai Tikhonov, to full mem[bersh]ip in the Communist Party's [rulin]g Politburo.

[De]spite reports that he has had a [heart] attack, Mr. Kosygin did not [lose] his membership in the Polit[buro]. The Supreme Soviet, the nom[inal] Soviet parliament to which he [repor]ts as head of government, was [to me]et here tomorrow.

[Th]e 72-year-old party leader, [Leoni]d Brezhnev, demonstrated his continuing political strength [despi]te his failing health by deliver[ing a] sharply critical report on Sovi[et ec]onomic and agricultural performance to the 288-member Central Committee today.

An unexpected promotion was that of Mikhail Gorbachev, 48, to candidate membership on the Politburo, with the daunting task of improving the efficiency of Soviet agriculture. He was brought from Stavropol in the Soviet provinces last year to replace the late Fyodor Kulakov as party secretary for agriculture. He is by far the youngest member of the party leadership.

Last year's grain harvest was believed to be the worst since the 140-million-ton crop disaster of 1975, though the official figures have not yet been announced.

Mr. Kosygin was not present at the Central Committee meeting today, the official said, because he was recovering from an unspecified illness. Western diplomats here believe he is recovering from a heart attack he had sometime in October. He has not been seen in public for six weeks.

Soviet insiders said that the promotion of Mr. Kosygin's first deputy, Mr. Tikhonov, to equal rank was expected, since in the past both of these government positions came with full Politburo membership.

Average Age Increases

Mr. Tikhonov, who like Mr. Brezhnev graduated from a metallurgical institute in Dnepropetrovsk, has been a junior member of the Politburo since last year, and if he were not 74 years old would ordinarily be considered a prime candidate to succeed Mr. Kosygin. He may be anyway.

Nikolai Tikhonov

A year ago, he replaced Kirill Mazurov, who was demoted as Mr. Kosygin's first deputy and lost his seat on the Politburo. Mr. Tikhonov's appointment raises the number of full members to 14 and pushes their average age to well over 70 — the oldest Soviet leadership since the Bolshevik revolution. Mr. Brezhnev will be 73 on Dec. 19.

Mr. Gorbachev, the only member of the Politburo or the Central Committee secretariat under 50, will inevitably attract the attention of Kremlinologists as a long-run possible successor to Mr. Brezhnev.

But nearly all his career before his promotion to the secretariat last Nov. 28 was spent in party agricultural jobs in Stavropol, north of the Caucasus region. He was first secretary of the party organization there from 1970 to 1978 and graduated from the Stavropol agricultural institute in 1967.

[I]nside

[Eu]romarket:

A three-part special section concludes today.

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Carter Says U.S. Honor Is At Stake

By Fred Farris

WASHINGTON, Nov. 27 (IHT) — President Carter said today that the nation's honor is at stake in the Iranian crisis and that the United States would not yield to blackmail.

Sen. Bennett Johnson, D-La., who with other legislators met with Mr. Carter this morning, said that the president felt that "simply by releasing the hostages, the slate is not wiped clean."

The senator said Mr. Carter "did not say — did not suggest — what further actioo might be taken. But I think all of us feel, including the president, that he will do something else after the hostages are released."

He said the president "emphasized that the honor of the country comes first before the lives of the [49] hostages" held in Tehran.

The White House press secretary, Jody Powell, said later that Mr. Carter's reference to "honor" meant only that the United States will "not yield to blackmail or negotiate under duress" to obtain release of the hostages, held by Iranian militants with the sanction of Ayatollah Ruhollah Khomeini.

'Continuing Impact'

The president "did not mention the word 'retaliation' at all," he said, adding, "He did oot make a specific reference, explicit or implicit, to retaliatory or punitive action. He simply made a brief reference to the fact that this incident will have a continuing impact on our relationship."

But Sen. Russell Long, D-La., who also attended the meeting with Mr. Carter, said, "To seize our embasssies is an act of war. I would treat it as an act of war. That doesn't mean you ought to bomb them, but in due course we ought to take military action."

Rep. John Brademas, D-Ind., said the congressional leaders strongly support the president's insistence that the hostages be released immediately.

"Everyone felt we should take a restrained position on Capitol Hill" until the hostages are freed, he said. He quoted Mr. Carter as saying his "first concern is the honor of this couotry."

The militants occupying the U.S. Embassy in Tehran since Nov. 4 demand that the United States return the shah to Iran for trial as a criminal. The deposed shah is receiving medical treatment in New York and may leave soon for Mexico. The Carter administration has stated from the outset that it would oot undertake any action demanded by the Iranian revolutionary government nor negotiate anything so long as the hostages are held in violation of international law.

Meantime, Rep. George Hansen, R-Idaho, who went to Tehran on a self-appointed mediation attempt, continued to cause cootroversy here. Yesterday, the White House and State Department said his efforts could confuse the situation by suggesting there was "more than one voice" speaking for the United States.

Today, House Speaker Thomas O'Neill, D-Mass., called him naive and said the Iranian government should understand that he has very little credibility in Congress.

Associated Press

Admiral Ahmad Madani and naval officers inspect one of the Iranian fleet's destroyers as the nation's navy went on top alert to meet any U.S. attack to rescue the U.S. hostages in Tehran.

Embassy Staffs to Be Cut

U.S. Warns Against Travel In 11 Moslem Countries

WASHINGTON, Nov. 27 (IHT) — The State Department, after announcing a sharp reduction in embassy personnel in 11 Moslem countries, warned Americans today to avoid traveling to those nations unless absolutely necessary.

A department spokesman, recognizing that the Iranian crisis could lead to more assaults on Americans, said yesterday that embassy staffs were being sharply reduced in a "voluntary and temporary" program.

Today, the department warned against travel to the United Arab Emirates, Iraq, Lebanon, Syria, Qatar, Kuwait, Oman, Libya, Bahrain, Yemen and Bangladesh.

Embassies already have been sharply reduced in Afghanistan and Pakistan and travelers' warnings have been issued there.

Except for the 49 American hostages, several other diplomats in the Foreign Ministry in Tehran and a handful of U.S. journalists, there are believed to be no Americans left in Iran.

Offer Is Modified

Although State Department officials said last night that dependents of embassy personnel and nonessential employees would be offered a chance to return to the United States at government expense, that was modified today. They said instead that the dependents would be offered a trip to "other posts, mostly in Europe," and would have to pay their own way if they wanted to continue on to the United States.

The department had no estimate of how many would leave.

It defined nonessential employees as persons "whose jobs we can do without for a little while in light of events."

Officials emphasized that the program was not an evacuation and that the embassies would remain open.

Last week, the department had insisted that it would oot retrench in its involvement io the reginn be-

(Continued on Page 2, Col. 8)

UN Chief Calls For Restraint By U.S., Iran

From Agency Dispatches

UNITED NATIONS, N.Y., Nov. 27 (AP) — The UN Security Council met for only 16 minutes today on the U.S.-Iranian crisis, hearing pleas from Secretary-General Kort Waldheim and the council president, and then adjourned until Saturday. But in Terhan, Ayntollah Ruhullah Khomeini dismissed the debate in advance and said that the Security Council members are servants of President Carter.

In one of the shortest formal council meetings on record, Mr. Waldheim called on the United States and Iran "to avoid any action which could inflame" the situation.

The council president, Ambassador Sergio Palacios de Vizzio of Bolivia, repeated an appeal to Iran he had made on the council's behalf Nov. 9, asking for the release of 49 U.S. hostages held in the U.S. Embassy in Tehran.

Mr. Palacios de Vizzio then adjourned the meeting until Saturday, when Iran's acting Foreign Minister Abolhassan Bani-Sadr is expected to be io New York to join in the resumed debate. The United States had agreed today to Iran's request to pot off the Security Council debate until Saturday.

Ayatollah Khomeini reiterated that the U.S. hostages held for the past 24 days must be tried in the embassy compound as spies unless the United States surrenders the deposed shah. Moslem militants said they have planted explosives in the hostages' rooms and would blow up the embassy if U.S. armed forces attempt a rescue or if "dirty agents" of the United States try to infiltrate the compound.

Ayatollah Khomeini said the shah must be tried in Iran and nowhere else, since that is where the evidence and witnesses are. He thus appeared to doom a number of compromise formulas, by Iranians and by foreigners, designed to investigate the shah's purported crimes either at the United Nations, in the U.S. Congress or in other international tribunals.

Doctors at the New York hospital where the deposed shah, Mohammed Reza Pahlavi, is under treatment for lymphatic cancer said an operation to treat a gallstone appeared to have succeeded, a step which would pave the way for the shah's departure from the United States, possibly later this week.

The Iranian armed forces went on alert, while in Tehran there were rumors of an impending U.S. attack and warnings that American agents were plotting to infiltrate the embassy.

Iran had requested the delay in the Security Council session until Saturday night, when it said Foreign Minister Abolhassan Bani-Sadr would take part in the debate. According to reports in Tehran, the governing Revolutionary Council told Mr. Bani-Sadr to put off his trip, planned for yesterday, until the end of the current Muharram period, the holiest in the Shiite Moslem calendar.

The American delegation agreed to the postponement.

Ayatollah Khomeini denounced the council and said the meeting would be held "to talk just about the hostages and not about the cruel things that have happened to us" under the shah. He said that Iran will oot accept the decision of "any council or court formed uoder direct influence of the United States."

U.S. Rep. George Hansen, R-Idaho, who is in Tehran in a personal initiative to free the hostages, was interviewed via satellite today by the three major U.S. television networks. Reading from what he said was a top secret U.S. document, he accused U.S. officials of covering up a "tragic decision" to admit the shah to the United States.

Rep. Hansen said the document showed that the United States knew three months ago there was a good chance of hostages being taken if the shah was admitted to the United States. "I think what we need to do if we are going to persist in the hostage game is let Mr. Rockefeller, the banker in New York, and Mr. Kissinger, who seems to be so involved in this business, come over and replace the hostages," he said.

He referred to reports that pressure by former Secretary of Stat[e] Henry Kissinger and banker Davi[d] Rockefeller was instrumental in getting the shah brought into the United States from Mexico for cancer treatment.

"Let innocent people go home

(Continued on Page 2, Col. 4)

Because of Moslem Unrest

[T]urkey Apprehensive Over Pope's Visit

[B]y William Claiborne

[AN]KARA, Nov. 27 (WP) — Pope [John] Paul II was to arrive in this [almos]t exclusively Moslem country [tomor]row amid extraordinary se[curity] and no small measure of [thin]ly concealed embarrassment [for his] Turkish hosts because of the [timing] of the visit.

[Wh]ile publicly extending a red[-carpet] welcome to the pope, the [...]-old government of Premier [Süleyman] Demirel is engaged in [politic]al acrobatics in an effort to [minim]ize the religious nature of the visit at a time when long[-simm]ering Islamic fundamentalism [has] exploded in nearby Moslem [count]ries.

[Th]e pope, whose stated purpose [in com]ing here was to further prog[ress t]oward reuniting the Roman [Catho]lic church and the Orthodox [churc]hes of the East, will be treated [as a h]ead of state rather than a re[ligiou]s leader, and the trappings of [his th]ree-day visit will underscore [that d]istinction throughout his stay [in An]kara, Istanbul and Izmir.

[Mo]reover, in sharp contrast to the [consta]nt public exposure the pontif[f had d]uring his visit to the United [States], Turkish security authorities [will t]ry to keep him out of sight as [much] as possible because of the [possib]ility of an assassination at[tempt]. Terrorist killings have be[come] endemic in Turkey, and Armenian extremists have warned the pope not to come.

Although the pope and his entourage will be greeted at the airport by President Fahri Koruturk in a military ceremony, attendance at the arrival, even by Catholic and Orthodox leaders and Vatican envoys, is being sharply curtailed for security reasons. The pontiff will forgo the usual motorcade and will be taken by helicopter from the airport to the presidential residence for meetings with Mr. Demirel and other Turkish leaders.

Similarly, tight security will surround the pope during his visit to Istanbul on Thursday, where he will meet the ecumenical patriarch of the 200 million followers of Eastern Orthodoxy, Dimitrius I.

Because of Turkish sensitivity to the patriarch, who is viewed by many Turks as a vestige of the Byzantine world and a reminder of Greek dominance, the pope's visit with the patriarch is being billed on a government outline of the trip simply as "meetings with the leaders of various religious communities."

In the last papal visit to Turkey, by Pope Paul VI in 1967, the pontif fell to his knees and prayed in St. Sophia's church, which the Turks have converted to a museum. Many Turks remember that incident with some discomfort, and government officials privately said they hope that John Paul II is discreet enough not to repeat it.

Avoiding Controversy

Turkish Foreign Ministry officials and Western diplomats agreed that the Demirel government's main objective is to keep the pope's visit as uncontroversial as possible — one diplomat called it a "damage containment effort" — and to try to reap a tourist bonanza in its aftermath.

On the one hand, the government is proud of the world attention it will receive and not at all displeased at the opportunity to demonstrate that Turkey is a democratic, secular state that allows all religious minorities to live with the 45 million Moslems here. With a troublesome balance of payments deficit and a need for foreign exchange, which increased tourism would bring, the Turks are hoping the visit will help overcome world attention to political terrorism.

On the other hand, Turks maintain a basic defensiveness about Eastern Orthodoxy, regarding the Christian and Islamic worlds as fundamentally different and, therefore, competitive to a degree.

While welcoming their close association with the West, they at the same time tend to seek closer ties to the East. To the average Turk, the Christian world begins at the Greek border.

"There will be no problemes so long as the pope keeps in mind that he is coming to Istanbul, not Constantinople," editorialized Hurriyet, Turkey's highest circulation daily newspaper.

While Islamic extremism here

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Second Minister Resigns in India

NEW DELHI, Nov. 27 (Reuters) — Industry Minister Brahmananda Reddi resigned today and said he would decide on Saturday whether to join former Prime Minister Indira Gandhi's faction of the Congress Party, which is favored to win national elections in January.

Mr. Reddi, 70, was the second minister in five weeks to resign from the caretaker government headed by Charan Singh. Finance Minister Hemwati Nandan Bahuguna quit last month and later joined Mrs. Gandhi's party.

Mr. Reddi also resigned from the Congress Party group led by Devraj Urs. He said the party, a junior partner in Mr. Singh's government, had become a "private limited" concern of Mr. Urs.

[Ja]pan's Premier Promises [A]nti-Corruption Campaign

By Robert Trumbull

[TO]KYO, Nov. 27 (NYT) Premier [Masa]yoshi Ohira, in a policy speech [at the] opening of a new parliamen[tary s]ession today, pledged his gov[ernme]nt to an attack on official cor[ruptio]n and other malfeasances in [Japan]ese ruling circles that have [broug]ht an outpouring of public [critici]sm.

[The] 69-year-old conservative [...], who has just come through a [...] struggle in the governing [Libera]l Democratic Party, also de[clared] that he had "resolved to ac[t] with sincerity" the public re[buke] implied in the party's poor [showi]ng in the parliamentary elec[tion l]ast month.

[Dis]closures of expense account [padd]ing, evasion of customs duties [and e]xtravagant entertainment in[volvin]g officials of government [agenc]ies, coinciding with an ill[-timed] proposal by Mr. Ohira to cov[er gro]wing budget deficits with new [taxes,] brought an outcry that was [reflect]ed in the ruling party's re[duced] electoral support.

[Pub]lic ire focused on lavish enter[tainm]ent and gift-giving by the [Koku]sai Denshin Denwa company, [a priv]ate telephone and telegraph [mono]poly, and the Japan Railway [Const]ruction Corp. allegedly to the [benefi]t of officials and clients. In [the af]termath, the communications [compa]ny was forced to reduce its [rate]s for telephone and telegraph [service]s by from 7 to 25 percent.

[Public] indignation has been fueled [by dis]closures in the courts of large [bribe]s to high officials in the $2 million Lockheed aircraft bribery case. One of the defendants is a former premier, Kakeui Tanaka, who was Mr. Ohira's principal backer in his narrow victory over another former premier, Takeo Fukuda, for party leadership.

Alluding to allegations of extravagance and waste in the government, Mr. Ohira said he would "have the concerned ministries and agencies continue to speed the discovery of the truth and to deal strictly with the responsible persons." He also promised a review of budgeting and disbursement procedures.

In pledging to reduce the government debt, Mr. Ohira spoke of unspecified measures "to ensure an equitable sharing of the tax burden," but omitted reference to his previous proposal of a form of sales tax, a campaign pledge that he was forced to drop in the face of adverse public reaction.

Apparently responding to widespread complaints of election corruption, Mr. Ohira said that the government planned studies leading to "a system for fair and inexpensive elections," including legislation requiring candidates to disclose their financial assets.

Following the Oct. 7 election, the National Police Agency reported more than 7,000 suspected violations involving 200 million yen (about $800,000) in payments for individual votes, an increase of more than 20 percent in such offenses since the previous general election.

Brown Forms Group That Could Fight Son

LOS ANGELES, Nov. 27 (UPI) — Former California governor Edmund Brown has announced the formation of a political study group, but said that he would not campaign for his son, the present California governor and announced Democratic presidential candidate. In fact, Mr. Brown said yesterday, the group might oppose Gov. Edmund Brown Jr. nn some issues.

Say It Would Only Worsen Crisis

Europeans Warn Against Military Action

By Joseph Fitchett

PARIS, Nov. 27 (IHT) — While strongly sympathetic to the U.S. predicament on the hostages' plight in Tehran, West European governments are hoping for continued restraint by the Carter administration and feel that any U.S. armed intervention would only worsen the crisis, officials said today in Bonn, London and Paris.

Anxious that the United States avoid anything that might trigger an anti-Western backlash in the Middle East and jeopardize oil exports, European officials and analysts say that Washington should be prepared for a long and probably humiliating period of trying to oegotiate the release of the hostages.

While diplomats said they knew of oo discussions between the United States and its allies about possible military action, they said that their governments would be reluctant to be associated with any armed intervention by the United States. "A U.S. request for support would create acute political problems for European governments, eveo the closest U.S. allies," an official said in London.

Although European diplomatic support for the United States does oot seem to be lessening, Europeans are beginning to voice criticism of the U.S. bargaining position. Some officials hint at possible U.S. compromises — for instance, acceptance of an international tribunal to examine Iranian claims to recover part of the deposed shah's personal wealth. European media frequently refer to the "U.S.-Iranian crisis" — language that blurs the Carter administration's attempt to keep the conflict sharply focused on the Iranians' illegal seizure of U.S. diplomatic personnel.

Although many influential European newspapers have urged stronger support for the United States, diplomats said that U.S. interests appeared best served if European countries continue to avoid a confrontation with Iran and maintain diplomatic pressure for the hostages' release.

Even European officials who praise President Carter for his measured handling of the problem note that he committed the initial mistake of allowing the shah to enter the United States. "That misstep galvanized all the latent anti-Americanism due to excessive U.S. involvement with the shah under successive administrations," a French official said.

A Worse Mistake

Referring to U.S. threats of military reprisals, several officials said that it would be a worse mistake than letting the shah into the United States.

Despite the pressure of U.S. public opinion for rapid action, European officials said that the Carter administration has no quick options likely to succeed.

Echoing official British policy, David Watt, director of the Royal

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Iran Unveils Findings on Finances of Shah

By Edward Cowan and Jeff Gerth

TEHRAN, Nov. 27 (NYT) — In an effort to put pressure on Washington to extradite Mohammed Reza Pahlavi, the deposed shah, Iran began last night to publicize some of what it said were the findings of an investigation into the financial dealings of the shah, his family and associates.

Ali Reza Nobari, 32, the new head of the Iranian central bank, told U.S. correspondents that his staff had found the records of almost $800 million in loans to the shah's two sisters and their associates by 12 commercial banks in Iran, none apparently U.S. controlled.

Mr. Nobari said he would make public documents from the commercial banks' files that would show that the loans were larger and their terms more generous than ordinary commercial borrowers could have obtained.

Mr. Nobari said the loans were but one of many strands of a tangled web of transactions in Iran and abroad and, in his opinion, constituted only a small fraction of the wealth accumulated by the shah and his family during his 37 years as ruler of Iran. "Most of the money did not come from the loans," he said.

Examination Prohibited

He displayed what he said was a summary, in Persian, of loans made by commercial banks to the shah's sisters and companies controlled by them. The correspondents, however, were not allowed to examine the documents.

He also displayed photocopies of what appeared to be wire transfers on behalf of the shah's family from banks in Iran to banks abroad. Banks use such communications to shift funds, on customers' orders, from one country and one currency to a different currency in a foreign bank.

Of the 12 banks that made the "questionable

$800 Million in Loans To His 2 Sisters Cited

loans," Mr. Nnbari said, "most of them are in very bad shape" though none has closed. He said that the government could help any bank that would otherwise close and that in one or two cases the central bank had helped commercial banks raise foreign currency to pay for imports the central bank regarded as important to Iran's economy.

Mr. Nobari said the $800 million in loans were outstanding — that is, still to be repaid — hut that not the whole amonnt was necessarily past due. He said some interest payments had been missed since January and that he believed oone of the loans would be repaid.

Total Not Known

Mr. Nobari acknowledged that the central bank, the Bank Markazi, had no information on how much money the shah had abroad or where it was.

Iranian government representatives in the United States have consistently said that the shah may have between $17 billion and $21 billion invested abroad.

After an exclusive interview with the shah in New York on Nov. 22, Barbara Walters of ABC television estimated that his personal fortune was between $50 millioo and $100 million. A conservative estimate indicates that these holdings could produce an annual income of $5 million to $10 million.

Mr. Nobari said: "We haven't been able to find anything having the shah's own name on it. We don't know how he is paying his hospital bills, nothing."

He said that his staff had found that "the records are scattered all over" and "we believe that most of those documents" about the finances of the shah's family "have been destroyed" by bank officials who were involved.

Mr. Nobari said the Iranian authorities were investigating possible payments to the Pahlavi family of "commissions on arms sales," what he called "transfers to associates" and what he portrayed as a probability that the shah had sent "suitcases full of cash" out of Iran. In these areas, the central bank and Mr. Nobari have little or no investigative responsibility and he offered no documentary evidence.

He also confirmed that the government was invesdgating the financial affairs of the Pahlavi Foundation, a combination family organization and charitable trust established by the shah that had extensive industrial and financial holdings.

Many Iranians and some foreign analysts believe that the foundation served as a conduit for the shah's personal enrichment. Its holdings have been estimated at $2.5 billion, a figure that suggests annual income of tens of millions of dollars and possibly much more.

Disclosure Encouraged

Mr. Nabori said that the Iranian government was making information about the shah's finances public because it believed U.S. citizens knew little about the way Iran had been governed by the shah or the extent to which, in the view of the revolutionary government, the shah had taken public money. Educated Iranians outside the government have expressed a similar view.

The Iranian government was encouraged to disclose the information as soon as possible by James Abourezk, a Washington lawyer and former Democratic senator from South Dakota, who arrived here Sunday.

Mr. Abourezk represents Iran in civil litigatinn

(Continued on Page 2, Col. 3)

Chase Reduces Prime to 15¼%

NEW YORK, Nov. 27 (IHT) — Chase Manhattan Bank today accelerated the decline in U.S. interest rates by dropping its prime lendiog rate a half-point to 15¼ percent.

The decrease by the third-largest U.S. bank leapfrogged the quarter-point cut made by two large banks yesterday, but other banks have held fast and analysts are uncertain whether the move signals the start of the long-awaited decline in record-high interest rates.

Story Page 17.

Legal Barriers Are Formidable

Iran Quietly Tries to Get Swiss Holdings of Shah

By Iain Guest

GENEVA, Nov. 27 (IHT) — In marked contrast to the way it has flouted international convention by supporting the taking of U.S. hostages and canceling debts, the Iranian government is attempting to recover the shah's fortune in Switzerland without a hint of threats and with due regard for the frustrating legalisms of Swiss banking secrecy.

The campaign is being conducted by two Swiss lawyers acting for Iran and it received its worst setback yet last week, when the cantonal government of Grisons refused to yield documents relating to the purchase of the Villa Suvretta, at St. Moritz, which Mohammed Reza Pahlavi, the deposed shah, bought in 1969.

This action upheld a decision by the local property registry office in St. Moritz this summer. Both ruled that the shah's privacy should remain undisturbed until courts had proven that the villa was bought with funds acquired illegally.

The 28-bedroom villa, whose market value is put at more than 4 million Swiss francs ($2.42 million), is the most visible part of the Pahlavi family's Swiss assets and observers here feel that its confiscation would be a major boost to efforts to recover his global fortune, which some put as high as $15 billion.

Envoy Disappointed

Gholam Farivar Ali Tehrani, the Iranian ambassador in Bern, said yesterday that he was disappointed at the decision and that it would be appealed before a Swiss federal court.

"It would be magnificent if the shah's fortune could be returned to Iran," said Mr. Farivar, who served for eight months as minister of industry in 1961 before resigning in opposition to the shah.

Earlier this year, the new government asked Switzerland to freeze Iranian assets. Such action has only been taken by the Swiss in extreme cases (such as when Nazi bank accounts were frozen in 1946) and commentators agreed that the request posed a dilemma.

To accede, they said, would set a dangerous precedent, since banking secrecy and nonintervention by the government make Switzerland an attractive haven for foreign investors. To refuse, however, might mean retaliation against Swiss interests in Iran, whose value was put at 500 million Swiss francs ($303 million).

On March 5, the Swiss government declined to intervene, but pointed out that Iran was free to apply to Swiss courts. Mr. Farivar yesterday discounted the possibility that Swiss assets might be confiscated. "I am a technician and a man of law," he said. "Swiss assets in Iran and the shah's fortune in Switzerland are different, and must be seen in their respective contexts."

Mr. Farivar also said that a statement by acting Foreign Minister Abolhassan Bani-Sadr concerning debt cancellation had only referred to debts contracted by directors of private banks under the shah, and not by nationalized banks. "Iran will honor her debts and obligations," he said.

The Pahlavi holdings in Switzerland are, in all likelihood, relatively small. The Swiss National Bank announced that Iranian assets in 25 associate banks, including so-called "fiduciary accounts," were 1.432 billion Swiss francs ($868 million), a small fraction of foreign holdings.

Even though this did not include portfolio investments, property or investments by foreign companies and also did not distinguish between Pahlavi assets and those of other Iranians, most observers feel it is considerably nearer the actual amount than the 4.5 billion Swiss francs ($2.73 billion) claimed by Erich Diefenbacher, one of the two lawyers acting for the Iranian government.

Observers here feel that as soon as the two lawyers take up the case in the Swiss courts, they will face, as one put it, "a long, frustrating and uphill struggle."

"They will have to present precise information as a first step to having the assets frozen and eventually recovered," the observer said. "But under the Swiss banking law of 1934, secrecy can only be waived if a crime has been proven, and to show that, you need details — it's a vicious circle."

In addition, be said, fiscal crimes like tax evasion and fraud are excluded from the 1934 law. "A vague charge of crimes against Islam would oot qualify," he said.

Venezuela Cuts Oil Estimates

LONDON, Nov. 27 (IHT) — Venezuela expects to produce less than 10 percent of its recently anoounced heavy oil deposits, an official of the national petroleum company, Petroleos de Venezuela, said here today.

fniöal reports said that production might reach 500 billion, but the official explained that less than one-tenth of the oil in place — estimated at between 700 billioo and 2 trillion barrels — can be recovered.

The first project — which is expected to provide 120,000 barrels a day — will come on stream in the mid-1980s and produce oil that will be comparable in price on a dollars-per-barrel-per-day basis to oil produced from Canadian tar sands, he said.

Associated Press

UN Secretary-General Kurt Waldheim speaks to newsmen after a private Security Council meeting in New York on Monday.

Findings Unveiled by Iran Of Probe of Shah's Wealth

(Continued from Page 1)

in the United States, including cases arising from President Carter's freezing of official Iranian assets in the United States and in U.S. banks. "Part of my responsibility is to find out where the shah put his money," Mr. Abourezk said.

Banks File Suits

NEW YORK, Nov. 27 (AP-DJ) — Several banks here moved yesterday to attach Iranian assets held in the United States. In suits filed in a federal court here, the banks charged that the government of Iran and the National Petrochemical Company had defaulted on more than $1 billion of loans.

The actions followed a declaratioo Friday by Abolhassan Bani-Sadr, Iran's acting foreign minister and chief economic spokesman, that the country would oot pay its foreign debts because they were incurred under the shah's regime. He was responding to the decision here by Chase Manhattan Bank to declare in default a $500-million loan made to Iran by a syndicate of 11 banks.

In court papers, Morgan Guaranty Trust charged the Chase actioo on the government loan triggered an automatic default on a $310-million syndicated loan to National Petrochemical. Morgan's share of that loan was $25 million, according to the papers filed in court.

Morgan also told the court that it had lent $40 million to Iran as its part of the $500-million credit. The bank asked for a total judgment of almost $66.5 million, plus interest and collection costs.

In another suit, UBAF Arab American Bank, which is owned indirectly by a group of French and Arab banks, sought a judgment of $2 million plus interest and costs to reclaim its portion of a separate $270-million loan to National Petrochemical by a syndicate of 21 banks.

European American Banking Corp., owned by a consortium of European banks, sought in a suit against two Iranian firms a judgment of about $8 million for itself and its affiliate, European American Bank & Trust Co.

U.K. Bank Loans

LONDON, Nov. 27 (UPI) — Barclays and Midland have joined National Westminster in the growing line of British banks facing technical defaults on loans made to Iranian government institutions, banking circles said today.

Loans made to the National Petrochemical, the Agricultural Development Bank and Bank Sakhteman totalling more than $100 millioo all bad interest payments fall due that were not met. The banks, which had no immediate comment, are allowing the Iranians more time to pay the debts.

Request in 1981 Budget

Carter to Ask More Funds To Rush Troops Overseas

By George C. Wilson

WASHINGTON, Nov. 27 (WP) — In his new defense budget, President Carter will ask Congress to buy the planes and ships needed to deliver and equip a quick reaction force for distant places such as the Gulf, administration officials said yesterday.

The president's fiscal request for 1981 will for the first time make lawmakers decide whether they want a force designed specifically for long-distance intervention.

Up to now, the concept of a force in the Gulf has been a paper proposal. But the Iranian crisis is providing fresh impetus for it, despite the "never again" hangover from the Vietnam era.

Under the president's five-year plan, the funding would start low in fiscal 1981 but rise steeply in later years. It is therefore the policy significance of such a force, rather than the dollars required to fund it, that is expected to dominate the debate in Congress.

Specifically, Mr. Carter intends to ask for down payments in fiscal 1981 of about $80 million for two cargo ships expressly designed to hold military equipment.

The idea is to give the plane so much range that it could deliver troops, tanks and artillery from the United States directly to the troubled area. The plane could be refueled in the air.

The closest thing the Air Force has to such a plane is the Lockheed C-5, a plane with wings so fragile that they are being rebuilt. Lockheed is circulating a plan for a new version of the C-5, costing about $70 million each, for transporting the so-called "Rapid Deployment Force."

Once troops of that force were on the ground, they could only fight a few days before running out of ammunition, food and equipment. Mr. Carter's proposed cargo ships full of material would be positioned near the likely trouble spots ahead of time, in the bope getting supplies to the troops quickly,

McNamara Idea Killed

A smiliar idea was championed by Robert McNamara, the former defense secretary, in the 1960s, only to be rejected by Congress on the ground that it would tempt the United States to become the world's policeman.

In successfully urging the Senate to kill the idea, the late Sen. Richard Russell, D-Ga., warned that "if it is easy for us to go anywhere and do anything, we will always be going somewhere and doing something."

But several members of the president's National Security Council have been arguing that the United States must not remain inhibited by its failure at intervention in Vietnam. Instead, goes this argument, the U.S. military must be equipped to influence events in areas outside NATO, which has been the focus since Vietnam.

As planned, the Rapid Deployment Force would not be a new army. Instead, it would be composed of existing units designated and equipped to respond to an emergency.

One plan calls for the Marines to contribute a "fly-in element" of about 4,000 troops and supporting aircraft; the Air Force would contribute 12 squadrons of fighters and fight bombers; the Army would contribute the 82d Airborne Division, an armored brigade from Fort Hood and a mechanized division from Fort Carson.

The size and composition of the Rapid Deployment Force would be tailored to the emergency.

Gen. E.C. Meyer, Army chief of staff who helped plan the Rapid Deployment Force, has been complaining about the lack of planes to deliver it.

It "doesn't do any good to rust out at Fort Carson," he said. "To go somewhere and do something, we have to be taken there."

The new CX cargo plane for delivering the Rapid Deployment Force would enter the development stage in fiscal 1981 with the $80 millioo that Mr. Carter has earmarked for that year.

Europeans Oppose Use Of U.S. Military in Iran

(Continued from Page 1)

Institute for International Affairs in Loodon, said, "This is a case when a great power has simply got to take it." A French official said, "There is nothing to stop the hostages being put on trial, convicted and sentenced to prison . . . then we can try to get them freed through diplomatic means."

West German officials said that President Carter's best tactic is to maintain a solid international front of diplomatic support for the U.S. position against the taking of hostages.

"It's vital for the Carter administration to do nothing which could muddy the clear moral advantage of the U.S. position," a French official said, adding, "The United States is still a superpower, but it has to find new ways to wield its strength in a climate in which armed intervention will only backfire."

In a discussion of the risk of war erupting from the Iranian crisis on a national television program here last night, French participants were visibly alarmed when retired U.S. Gen. Vernon Walters, a former deputy head of the CIA, mentioned the possibility of U.S. police action in Iran.

While some European officials supported President Carter's decision to mobilize U.S. forces as a deterrent to preserve the hostages' lives, they opposed any use of force because:

- Planners cannot see how a military operation can succeed. "It must be successful and not just punishment, otherwise innocent Iranians will be killed and lunatics will slaughter Americans and other Westerners," a West German official said.
- It would be counterproductive. "A military intervention now in the Iranian situation would only solidify support for Ayatollah [Ruhollah] Khomeini and, in the longer run, only serve the interests of the Soviet Union," a British official said.
- It would jeopardize Westerners. Thousands of Europeans in Iran and in neighboring countries would be threatened if Moslem demonstrators reacted indiscriminately to a U.S. attack on Iran. There are an estimated 1,500 West Germans, 500 British and 1,200 French in Iran. Tens of thousands of Americans and Europeans live in other Gulf states.
- It would destroy the U.S. moral advantage. "If President Carter wants the world to believe that the United States is genuinely changing some of its old interventionist reflexes, this is the acid test," an official said.

Waldheim Plea at UN

(Continued from Page 1)

Ayatollah Khomeini said yesterday in an interview with the Paris daily Le Monde that countries such as France and Italy must intervene with the United States to dissuade President Carter from launching a military operation against Iran. "We have never insulted or humiliated the American people, whom we profoundly respect," he said. "Our enemy is Carter."

The National Front, a group of moderate Iranian political parties, declared today that the new Islamic constitution of Ayatollah Khomeini will probably lead to anarchy.

In an open letter to Ayatollah Khomeini in the Tehran newspaper, Bamdad, the Front said the course he is following might destroy the results of the revolution. The Front was one of the many factions that joined the uprising against the shah. One of its members, Mehdi Bazargan, was chosen as provisional premier by Ayatollah Khomeini. He and his government resigned earlier this month.

The Islamic constitution will be voted on in a national referendum oext Sunday. The Front, while conceding that the constitution "will undoubtedly be approved by the great masses of the people," asked for a postponement of the vote.

Alsthom Strikers Return in France

BELFORT, France, Nov. 17 (UPI) — Work was proceeding normally today in the Alsthom industrial equipment factories here after a 58-day strike had prompted the management of the parent group, Compagnie Generale d'Electricite, to grant the 7,000 workers substantial wage increases.

The workers started returning to work yesterday after approving the new labor contract drafted with the help of the government. More than 75 percent of the employees endorsed the contract, which granted them 13 months of salary a year and generally adjusted upward the wage scales.

The walkout, backed by most white collar workers, had become a test of strength between unions and the powerful CGE group, whose leaders said the settlement cost the firm 26 million francs ($6.5 million) a year in the Belfort factory alone.

Rebels Hide in Catacombs As Saudis Search Mosque

From Agency Dispatches

RIYADH, Saudi Arabia, Nov. 27 — Moslem fanatics who seized the Grand Mosque of Mecca a week ago held off Saudi forces today in the catacombs beneath the mosque, Saudi officials said. Press reports said that the renegades still held a few hostages.

The Saudi information minister, Mohammed Abdo Yamani, said that security forces "control all exits from the mosque's basement and are moving gradually to arrest the dissidents and hand them to court for trial."

Press reports said that some of the gunmen were believed to have escaped and may still be holding hostages outside the mosque.

The armed Moslem militants have retreated to the catacombs of the mosque to make their stand against the Saudi troops, Saudi reporters in Mecca said.

There were conflicting reports about the fate of the leader of the rebels, identified as Mohammed Abdullah, a 27-year-old theology student, whom the Saudis said proclaimed himself the new Mahdi (messiah) when he and between 200 and 400 followers burst into the Mosque last Tuesday.

The newspaper al-Jazirah said that Mr. Abdullah was among those hiding in the basement of the mosque, trapped by security forces who did not want to harm the "few hostages" the gunmen still held.

The newspaper said that the Moslem militants had stocks of ammunition and food.

The imam of the Mosque, who managed to escape shortly after the renegades stormed the shrine, said that Mr. Abdullah was a student of Islamic law at Mecca college but had dropped out after four years.

Yesterday, the Jidda-based newspaper al-Madina said that Mr. Abdullah had surrendered to security forces with his mother, wife and brothers and sisters. It said that his entire family had accompanied him during the attack on the mosque, which coincided with the 1,400th aniversary of Islam.

King Explains

While the operations continued in Mecca, King Khalid met in Riyadh today with the vice-president of the United Arab Emirates, Sheikh Mohammed bin Rashed al-Maktum and the leader of Qatar, Sheikh Abdel Aziz ben Khalifa al-Thani, to explain Saudi Arabia's handling of the siege.

The leader of the Palestine Liberation Organization, Yasser Arafat, also arrived for talks today. Press reports suggested that Mr. Arafat wanted to reassure the Saudi leadership that the PLO had nothing to do with the attack.

Saudi officials said that King Khalid and Crown Prince Fahd directly supervised the operation to clear the gunmen from the mosque.

Vance Seeks to Soothe Kissinger After Criticism From White House

WASHINGTON, Nov. 27 (WP) — Secretary of State C[...] Vance yesterday sought to smooth the feathers of his predece[ssor] Henry Kissinger, after they were badly ruffled by reports of c[riti]cism from unnamed members of the Carter administration conc[ern]ing Mr. Kissinger's role in the Iran crisis.

Last week, Mr. Vance invited Mr. Kissinger to visit the S[tate] Department yesterday for a full briefing on the situation in I[ran]. During that 75-minute meeting, administration sources said, [Mr.] Vance sought to calm Mr. Kissinger, who was described as an[gered] by an article in Saturday's Boston Globe.

The Globe quoted "a high State Department official" as say[ing] that Mr. Kissinger threatened to "hold the Carter administra[tion] accountable for the death of the deposed shah if the exiled Ira[nian] ruler was not permitted to come to the United States for m[edical] treatment."

This account was denied yesterday, both by Mr. Kissinger and senior administration officials. They noted that Mr. Kissinger [was] traveling at the time the White House decided to allow the [...] shah into the United States for medical treatment, and they [said] that be had no contact with the State Department or the W[hite] House on the matter.

(Earlier, Mr. Kissinger did press the administration repeated[ly to] allow the deposed shah to enter the United States.)

Islam Fury Makes Turk[ey] Jittery About Pope's Vi[sit]

(Continued from Page 1)

does not approach the level of that in Iran, there have been some early signs of such revivalism, although overt expressions of it usually are kept in check by the martial law that prevails in many parts of the country.

So far, Necmettin Erbakan, leader of the Moslem fundamentalist National Salvation Party, whose support Mr. Demirel oeeds, has been cautious enough out of fear of arrest oot to openly call for an Islamic revolution. But last Saturday in a demonstration in Kysiri, several thousand supporters of Mr. Erbakan openly chanted for an Islamic republic, diplomatic observers noted. Moreover, participants in a recent anti-American demonstration at the U.S. Consulate at Izmir were said to haved included a number of Iranian students from an Islamic seminary.

But the fundamentalist Shia sect of Islam, unlike in Iran, is a minority of 10 to 15 percent of the population. And members of the Shia offshoot here, Alevis, are more modernized and far less devout than their counterparts in Iran.

The dominant Sunnis are broken into numerous sects of varying shades of ideology, but they also tend toward secularism and many of them regard Ayatollah Khomeini as an aberration.

Moreover, Turkey does not have the religious infrastructure that made the Islamic revolution possible in Iran. When Ataturk launched his modernizing reforms in the 1920s, he dismantled the religious hierarchy by institutionalizing it within the government, so that goverment-salaried religious leaders have not been able to accumulate the influence and power that they have in Iran

Partly for these reasons, the United States does not find itself in a situation even remotely as precarious in Turkey as in some other Moslem countries. When the State Department yesterday announced a withdrawal of nonessential [diplo]mats and dependents [from] Moslem countries, Turkey [was not] on the list.

An embassy source said that this was because the [...] had absolute faith in the [...] government's readiness to p[revent a] takeover and some confide[nce that] large demonstrations agai[nst the] embassy were unlikely unl[ess the] United States intervened m[ilitarily] in Iran.

Pope Meets Jordan Pri[nce]

VATICAN CITY, Nov. [...] — Pope John Paul II [...] Crown Prince Hassan ibn [...] Jordan in a private audien[ce], the Vatican announced.

U.S. Warn[s] On Travel

(Continued from Page 1)

cause of the attack on the [...] in Islamabad, Pakistan.

The State Department's [spokes]man, Hodding Carter 3d, c[alled the] travelers' advisory issued [...] "temporary and prudent m[...]." He said the situation woul[d be as]sessed continually.

A spokesman said one re[ason for] the voluntary reduction of [...] the Islamic countries was t[o make] it easier for the host countr[ies to car]ry out its responsibilities of [provid]ing security for American d[iplomat]ic personnel."

Another official said [an addi]tional reason for the actio[n was to] provide a smaller target [...] tion, should President Cart[er decide] to take military or econom[ic ac]tion against the Iranian [...] leaders.

"In light of recent exper[ience in] the area, we have taken a n[umber of] steps to minimize the p[...] risk," a spokesman said.

He said the embassies ha[d been] told to suggest to private A[merican] businessmen in the Moslem [coun]tries that they might want [to take] similar steps and pull out s[ome of] their U.S. employees, who co[uld be]come targets of mob attacks [during] the period of Moslem holida[ys and] religious observances.

Atom Explosi[on] Now Ruled O[ut] In Atlantic Fl[ash]

WASHINGTON, Nov. 27 [...] — The State Department sa[id yes]terday that a New Zealand ob[serva]tory has revised its finding [...] evidence of a nuclear blast [in the] Southern Hemisphere, and th[e] mystery about a possible atom[ic ex]plosion persists.

A U.S. Vela satellite desig[ned to] spot the characteristic doubl[e flash] of an atomic explosion d[etected] what appeared to be such an [explo]sion in September. But the D[efense] Department was unable to [corro]borate the findings with any [...] evidence.

Earlier this month the New [Zea]land Institute of Nuclear S[ciences] said that it had discovered so[me ra]dioactive debris in rainwat[er that] indicated a recent, relatively [...] atomic explosion in the So[uthern] Hemisphere.

However the State Depa[rtment] said yesterday that the Institu[te had] reversed its earlier assessmen[t and] has released a statement s[aying] "There is no evidence of fr[esh ra]dioactive fallout during th[e past] three months."

And Ignores Envoys' Beatings

[H]aiti Forms Rights Unit, Prepares Curbs

By Jo Thomas

[PO]RT-AU-PRINCE, Haiti [...] — After protests by the [United] States and other countries [...] diplomats were slapped or [...] along with hundreds of [...] persons at a recent human [...] rally, Haiti's government has [annou]nced that it would set up a [huma]n rights section in its Depart[ment] of Foreign Affairs.

[...] the government has an[nounc]ed no investigation into the [disrup]tion of the Nov. 9 rally by [...] 60 men armed with clubs.

According to journalists, intellectuals and diplomats here, the incident and the Haitian government's limited response to it are two of many recent signs that President Jean-Claude Duvalier is having second thoughts about liberalizing political life.

"Spring is over," said a journalist who had hoped that Mr. Duvalier's policy of "liberalization," which spawned two political parties and, for a while, allowed greater freedom of the press, might be the first step toward democracy. Instead, the government now has in place the machinery for a crackdown, although it has not been used.

This machinery includes a potentially repressive press law and a closer alliance between the president and the Volunteers for National Security, which is an outgrowth of the Tonton Macoute, the personal militia of the president's father, Francois Duvalier, who died in 1971. The president also has named powerful hardliners to his Cabinet.

"It's the bullwhip theory of government," a diplomat said. "You hang the bullwhip on the wall and you hope that you don't have to use it."

Mr. Duvalier, according to sources here, appears apprehensive that more freedom of expression in a country that has had no political parties until recently might allow such an outpouring of pent-up grievances that his government would be threatened.

He also may be worried about the possibility of a military coup. In a speech on Nov. 18, Haitian Armed Forces Day, he surprised his listeners by emphasizing that the army should not be political.

Fear for Their Lives

Although there is still far more freedom here than there was even five years ago, some who have been active recently in politics or journalism say that they now fear for their lives.

Sylvio Clande, the founder of the Haitian Christian Democratic Party, has not been seen or heard from since his arrest Aug. 29, although he is believed to be alive. On Nov. 8, Gregoire Eugene opened an office for his Haitian Christian Democratic Party of June 27, a different group to that of Mr. Clande's, but he closed it the next day because those around him feared for his safety.

"We're waiting a little for conditions to improve," Mr. Eugene said in an interview. "Everyone is waiting to see what will happen, but no one can say."

According to people who attended the Nov. 9 meeting, the disruptions began just after Gerard Gourgue, president of the Haitian Human Rights League, began the opening speech. The 60 or so attackers, many of them middle-aged, began shouting "Jean-Claude Duvalier!" and started beating members of the audience. Some who reached their cars were dragged out and beaten again.

In a letter to a newspaper, Jacques Mesidor, the Superior of the Silesian Fathers, in whose auditorium the rally was held, called the attackers "anonymous commandos," and no one here seemed certain who they were or who sent them. The Haitian government has expressed its regrets that the incident occurred and last week announced that its new human rights section would be responsible for its human rights on both a national and international level. No details were given.

Despite a new press law making it a crime to publish anything provocative, the Haitian press has reported the Nov. 9 incident in detail. The press law, criticized by the Inter American Press Association, has not yet been put in force.

[V]eterans' Grant to Victim [O]f Cancer Is First of Kind

[SA]N FRANCISCO, Nov. 27 [...] — A former U.S. Army ser[viceman] who developed cancer years [after] exposure to radiation from [atomi]c weapons tests yesterday be[came] the first known veteran to be [award]ed federal benefits in a case in [which] the cancer had been diag[nosed] after the victim left the mili[tary]. It is estimated that several hundred veterans have filed such claims.

[Th]e ruling by the Board of Veter[ans A]ppeals in Washington drew no [conne]ction between the veteran's [cance]r and his exposure to radia[tion], but the fact that it decided to [award] benefits constitutes its first [ackno]wledgement that the two [may] be related.

[Th]e ruling in the case of Orville [Kelly] of Burlington, Iowa, was [calle]d "very significant" by [Jonat]han Steinberg, chief counsel [for t]he Senate Veterans' Affairs [Comm]ittee.

[Mr.] Steinberg said that the deci[sion] might indicate an increase in [sympa]thy on the part of the Veter[ans] Administration toward those [who h]ave filed claims asserting that [their] cancers were caused by expo[sure t]o radiation from atomic weap[ons te]sts in the Pacific and in Neva[da].

Mr. Steinberg said that the ruling set no judicial precedent. He said the Board of Veterans Appeals, the final arbiter in benefits claims, is neither bound by precedent nor subject to judicial review under federal law. He said the board could be expected to consider similar claims on a case-by-case basis.

But he said that Mr. Kelly's case was significant because, to date, the Veterans Administration had granted benefits to cancer victims exposed to atomics weapons tests in only eight cases — all of which involved soldiers whose cancers were diagnosed when they were still serving in the military. Mr. Kelly's cancer, in his lymph system, was diagnosed 12 years after he left the Army.

Mr. Steinberg said the case had added significance because it marked the first decision by the Veterans Administration to award medical and survivors benefits in a case involving a claim of radiation-induced cancer since the Veterans Administration adopted new guidelines for decisions in these cases last summer. Under the guidelines, the board can give a veteran the benefit of the doubt where the veteran claims that his cancer is a result of radiation exposure.

Mr. Kelly, 49, said that the ruling was the culmination of a six-year struggle with the Veterans Administration, which had denied his claim on three occasions.

Collective Appeal

Last year Mr. Kelly founded the National Association of Atomic Veterans, an organization that helps radiation-exposed veterans in filing and pursuing benefits claims. He spoke yesterday at a news conference of atomic test survivors that was sponsored by the University of California Nuclear Weapons Lab Conversion Project, an anti-nuclear group.

Mr. Kelly said that he witnessed 22 atomic explosions at the Enewetak Atoll test site from November, 1957, to November, 1958, while he was stationed on Japtan Island, seven miles away. He said that his unit wore no protective clothing other than tinted aviators' goggles while watching detonations of weapons ranging up to nine megatons, about 450 times the size of the Hiroshima bomb.

The affirmative ruling by the Board of Veterans Appeals means that Mr. Kelly qualifies for medical disabilty and survivors benefits. Mr. Kelly, who said he had been undergoing extensive chemotherapy treatments recently, said his doctors had given him less than a year to live.

[U.]S. Probe Urged [On] Terrorism by [An]ti-Castroites

[NE]W YORK, Nov. 27 (NYT) — [A gro]up of Cuban-Americans eager [to pro]mote a dialogue with the gov[ernme]nt of Fidel Castro called on [U.S. a]uthorities yesterday to inves[tigate] a "systematic campaign of [terror]" against them by anti-Castro [exile]s whom they blamed for the [shooti]ng death Sunday of Eulalio [Ne]gr[in].

[Mr.] Negrin headed a service to [re]unite Cuban refugee families [and o]btain the release of impris[oned r]elatives. He was slain by two [men o]utside his home in Union [City], N. J. A caller claimed respon[sibilit]y for the attack on behalf of [a cl]andestine anti-Castro organi[zation], Omega 7.

[Col]leagues of Mr. Negrin from [the C]ommittee of 75 and the Cu[ban-A]merican Committee for the [Norm]alization of Relations with [Cuba] said yesterday that previous [appea]ls to investigate numerous as[sault]s and attempted assassi[nation]s within the Cuban-American [comm]unity had been ignored.

[The]y said the aim of the anti-Cas[tro gr]oup was "to terrorize the com[munit]y to prevent or retard the nor[maliz]ation of diplomatic relations [and t]rade between Cuba and the [...]

Associated Press

Premier Adolfo Suarez (foreground right) meets in Paris with (from left background) the French prime minister, Raymond Barre; Industry Minister Andre Girand, and Bernard Raymond, adviser to Mr. Barre on foreign affairs.

Giscard, Suarez Agree in Paris To Hold Regular Summit Talks

PARIS, Nov. 27 (Reuters) — France and Spain have decided to hold regular senior-level meetings to boost political and economic cooperation and to accelerate Spanish entry into the European Common Market, Premier Adolfo Suarez of Spain said here today.

After two days of talks with President Valery Giscard d'Estaing and Prime Minister Raymond Barre of France, Mr. Suarez said: "France and Spain will henceforth hold regular talks at heads-of-government level at least once a year, alternatively in Paris and Madrid."

Mr. Suarez said that his talks with French leaders were satisfactory. "We have opened a new and very positive path for cooperation between our two countries in all fields," he said.

A spokesman for Mr. Barre said: "In the negotiations for Spanish entry into the Common Market, France and Spain will sit side by side and not face to face." Spain is striving to secure a transitional period not exceeding 10 years for agricultural and industrial products before it brings down tariff barriers.

On the question of Basque separatist violence, Mr. Barre's spokesman said: "The French government's sole concern is that the Spanish authorities succeed in their struggle to restore peace and security and normal democracy."

The Spaniards have often accused France of harboring Basque guerrillas and have pressed the French to tighten security along the border and to curb the activities of Basque separatists in France. This question was raised by Mr. Suarez in talks with Mr. Giscard d'Estaing yesterday, Spanish officials said.

Congress Faces Judgment On Abortion Fund Refusal

From Agency Dispatches

WASHINGTON, Nov. 27 — The Supreme Court yesterday agreed to consider the volatile question of whether Congress can continue to refuse to pay for most abortions for poor women.

The issue has become the centerpiece of the abortion controversy in recent years, regularly tying up congressional debate on the budget and often dominating local congressional campaigns.

It concerns not the legality of abortion, which was decided by the court in 1973, but the right to a publicly financed, medically necessary abortion and Congress' political decision to treat abortion differently from most other medical procedures for which federal funds are routinely available under the Medicaid program.

The Hyde amendment to the Health, Education and Welfare appropriation for fiscal 1979 denied funds for an abortion except in three situations: where the mother's life would be endangered without it, where the mother was the victim of rape or incest or where two physicians attested to possible "severe and long-lasting physical health damage" in the absence of the abortion.

A more restrictive amendment this year dropped the final exception.

The effect has been to cut the number of Medicaid abortions from hundreds of thousands annually to two or three thousand.

The Supreme Court has already ruled that governments are not required to provide money for "voluntary" abortions, which are not medically necessary.

But the Hyde amendment went much further than that and, in April, 1978, Judge John Grady of U.S. District Court in Chicago ruled that the amendment was unconstitutional.

"A pregnant woman's interest in her health so outweighs any possible state interest in the life of a nonviable fetus," he wrote, that the government has no legitimate reason to deny the funds.

It was Judge Grady's decision — in the case of the United States vs. David Zbaraz — that the Supreme Court has agreed to consider.

In agreeing to hear arguments on the merits of the issue, the court reserved judgment on whether to treat it as a constitutional question, which would resolve the controversy, or as a simple legal question, which would not.

Vandal Scars Da Vinci Copy In Sofia Show

SOFIA, Nov. 27 (AP) — The exhibition of a replica of the "Mona Lisa" by Leonardo da Vinci was suspended here after a man slashed the portrait with a knife yesterday, the Bulgarian news agency reported.

Authorities said that the offender was suffering from an acute form of schizophrenia, the agency said.

The incident occurred in Sofia's national art gallery, where the replica, on loan from the Louvre, has been on display since Saturday.

Denmark Expels Polish Hijacker

COPENHAGEN, Nov. 27 (AP) — A Polish hijacker, who sought freedom in Denmark eight years ago but later became a convicted criminal with a long record, was expelled last week to his native country, police said today.

Krzystof Krynski hijacked a Polish domestic flight in 1971 and forced it to land in the small airport of Roenne on Denmark's island of Bornholm, where he asked for political asylum, saying it was his third attempt in five years to defect.

Krynski was sentenced to five years in prison by a Danish high court the same year, but he did not serve the whole term. He was released in 1974 with a permanent work and residence permit.

For a time thereafter, Krynski, who changed his name to Chris Kerent, became one of the most-wanted men in Denmark.

Senate Cites Looting by Racketeers

Action Urged to Safeguard Union Funds

By Philip Shabecoff

WASHINGTON, Nov. 27 (NYT) — A Senate investigations subcommittee yesterday recommended broad changes in the laws and rules governing union pension and trust funds in order to protect such funds from looting by racketeers.

In a report issued yesterday, the Senate Permanent Subcommittee on Investigations said it had found that "a complex insurance fraud scheme involving labor union trust funds" had caused the loss of about $11 million in insurance assets.

Hardest hit, the report said, were the Teamsters Union Central States Health and Welfare Fund, which lost about $7 million, and the Laborers' Union trust funds in Florida, which lost more than $1 million.

According to a news release that accompanied the report, "the scheme that victimized the Teamsters and Laborers union trust funds was masterminded by Joseph Hauser, a California businessman with a history of looting insurance companies doing business in labor union health and welfare funds."

Law Suit Filed

The subcommittee's investigation, which began in 1976, revolved around the activities of Hauser, who has since been convicted of felony violation in connection with the insurance scheme, the report said.

A Labor Department spokesmen said yesterday that the department had also investigated allegations involving Hauser's activities and had filed suit against him relating to the Florida union's trust funds.

Sen. Sam Nunn, D-Ga., chairman of the subcommittee, said that the investigation had "exposed a classic example of how labor union trust funds can be defrauded by modern-day labor racketeers."

"In the past, labor union funds were victimized by strong-arm tactics and outright theft. Today, they are susceptible to far more subtle and sophisticated schemes by white collar criminals who operate under the guise of respectibility." Sen. Nunn said.

According to the report, Hauser was able to carry out his scheme through personal contacts with union officials or those who had friendly relationships with union officials. One such person who assisted Hauser, according to the subcommittee report, was Richard Kleindienst, a U.S. attorney general during the Nixon administration.

The report said that the California businessman paid $250,000 to Mr. Kleindienst's Washington law firm in return for Mr. Kleindienst talking to Frank Fitzsimmons, president of the International Brotherhood of Teamsters, and at the time a trustee of the union's Central States fund.

The fund awarded a contract to the Old Security Life Insurance Co., "which was fronting for Hauser's group," according to the subcommittee.

The Teamsters union had no comment on yesterday's report. During hearings Mr. Fitzsimmons had told the subcommittee that there was no connection between the Old Security contract and his friendship with Mr. Kleindienst.

[Mr. Kleindienst said he had no regrets about his efforts on behalf of his client because it was a qualified, reputable insurance company, United Press International reported. He said the amount of the fee is not unusual in the competitive business world and paying a lawyer to use his contacts "is the way it's done all over the world."]

Sen. Nunn and Sen. Charles Percy of Illinois, the ranking Republican on the subcommittee, said that "this case illustrates the need for prompt and specific federal legislation where appropriate and for state action to correct the deficiencies in the regulation of insurance companies as they relate to employee benefit plans."

The subcommittee called for legislation requiring insurance companies to inform employee plans of commissions, finder's fees and other payments made in connection with any proposed sale of an insurance contract. The law should also require fiduciaries and other parties with an interest in an employee plan to report payments from and financial relationships with the plan.

Another recommendation calls for an amendment to the Employee Retirement Income Security Act that would require insurance companies to meet minimum financial and other standards set by the secretary of labor before they could sell coverage to pension and trust plans. It also recommended that a provision exempting insurance companies from having their financial statements audited by independent public accountants be deleted from the Securities and Exchange Act of 1934.

U.S. Firm Probes Atom Plant Leak

LEECHBURG, Pa., Nov. 27 (UPI) — Babcock & Wilcox Co. said yesterday that it was investigating an equipment failure at its nuclear fuel production plant that may have resulted in the contamination of 15 employees.

The company said that some contaminated material leaked into a room occupied by the workers on Nov. 16 at its Armstrong County plant in western Pennsylvania.

The Nuclear Regulatory Commission said the contaminated materials were confined to the facility and that the incident was "fairly unusual."

U.S. Announces Policy to Limit Sprawl of Cities

LAS VEGAS, Nov. 27 — The Carter administration yesterday announced a policy of preventing new suburban shopping centers from destroying the economies of older central-city business districts, the Los Angeles Times reported.

The policy — which takes effect immediately — will make it more difficult for developers to build shopping centers that depend on federally financed freeways to bring in customers or federally financed pipelines to dispose of waste and supply water.

"Unplanned sprawl can often be wasteful of our nation's resources," an administration statement said. "It requires heavy expenditures of scarce public resources . . . it consumes valuable land and it leads to the wasteful use of limited energy resources. It can weaken the economic, social and environmental health of existing communities."

The policy represents an important part of Mr. Carter's 1980 reelection strategy — an appeal to U.S. mayors, mainly Democrats, who run cities that are losing business and residents to the suburbs.

Trying to Catch Up

U.K. Unions Lead Europe In Seeking Shorter Hours

By Bhushan Bahree

LONDON, Nov. 27 (AP-DJ) — British labor unions are beginning to score successes in a battle with employers over working bours, thus pushing them into the forefront of a European-wide struggle for a shorter workweek.

The first significant breakthrough came earlier this autumn when engineering workers wore down employers' resistance with a series of debilitating strikes, winning an agreement that, among other things, provided for a 39-hour week from Nov. 1, 1981, down from the current 40 hours.

The latest union victory was an agreement reached Friday with the Ford Motor Co.'s British subsidiary covering 59,000 manual workers. The company offer, which the union negotiators are recommending to their membership, includes a commitment by Ford to begin meetings with the unions next year to draw up a timetable to help reach agreement on how a reduction in working time can be achieved.

The British unions' achievements are not lost on the European labor movement. At the European Trade Union Confederation in Brussels, an official said that "the engineering agreement in Britain opened the door . . . It may have given labor in the United Kingdom a sort of symbolic head start over some other countries."

10-Percent Cut

The broad objective that the ETUC is pursuing is a 10-percent reduction in working hours, but it it leaving the specifics of how that is to be achieved to the individual unions in each country. The confederation official said that "Britain, France, Italy and Germany are all going for a 35-hour week, while Belgium is aiming for 36 bours."

The demand for a shorter work week is meeting stiff resistance from employers because the unions are not offering to do the same amount of work in a sborter period of time — that is to say, to boost productivity. Rather, the aim is quite the opposite. Throughout Western Europe, union leaders are convinced that the only way unemployment can be cut in the face of a depressed outlook for economic growth is by "sharing" the work available. Companies agreeing to cuts in work bours will have to hire more workers to maintain the same level of output, they argue.

The employers disagree. The Confederation of British Industry, Britain's main employers group, argues that shorter work hours mean higher costs that can be offset only by higher production. But it ackowledges that this then would reduce the scope for increased employment, the unions' main aim.

In a paper on the issue, the British group argues that a "reduction in hours is either likely to be made up by extra overtime or lead to lost output, both of which increase costs without additional employment."

A major worry of the employers is that unless the move toward shorter work hours is coordinated in European countries, it will put industry in particular nations at a disadvantage if their unions gain their objective before others. The CBI notes that "although individual initiaives have been taken in Belgium, and to a lesser extent in the Netherlands and West Germany, there is no European coordinated action jointly by unions, employers and governments."

This problem of competitive costs is recognized by the unions. Acknowledging it, Mr. Murray says that "in the European Trade Union Confederation, we are all united in saying that a start has to be made in all countries. And we are making plans now for a campaign of united action."

To support their claim for shorter working hours, the Ford unions listed the following international developments to show management that they in Britain would not be going far out alone:

- In Belgium, there has been a significant shift toward a shorter work week. Chemical, oil and public service workers have all "breached the 40-hour dyke" and about one third of all Belgian workers have benefited so far.
- In Germany, metal workers have been offered six-week vacations, earlier retirement and extra time off for shift-workers and older employees. A strike by 2.7-million metalworkers was settled with this offer in response to union demands for a 35-hour week.
- In France, the 40-hour standard is being eroded. Employers are offering longer vacations, new shift patterns, or overtime instead. They have turned to a concept of an annual hours budget from bargaining about standard work weeks.

The list goes on, citing changes in Japan and the United States to support the case for shorter working time.

Part of the British unions' case for shorter work time rests on data that shows that the British worker puts in more time than other European workers, and that the difference has been growing in the last four years. Thus, the TUC cites ETUC data showing that the industrial worker in Britain puts in 1,932 hours a year, compared to 1,831 in France, 1,671 in Germany, 1,545 in Belgium and 1,503 in Italy.

Citing data from the Organization of Economic Cooperation and Development, the TUC says that in the period 1976 to 1979, the reduction in work time has been only 0.5 percent in Britain, the lowest in Europe. This compares with a cut of 1.1 percent in Germany, 1.4 percent in Denmark, 1.4 percent in Italy, 1.7 percent in France and 2.1 percent in Belgium.

If British unions are taking a lead gaining cuts in work time now, it is partly because they have fallen behind other European countries.

Associated Press

Marchers in Birmingham, England, demonstrate their support for Derek Robinson (left), a British Leyland union leader who was fired last week. The face on the placard is that of Sir Michael Edwardes, chairman of the company.

British Leyland Workers March To Protest Firing of Union Chief

From Agency Dispatches

BIRMINGHAM, England, Nov. 27 (UPI) — Five thousand employees of the British Leyland automobile company marched through the center of Birmingham yesterday to demand reinstatement of a union leader fired for opposing a company reorganization plan.

The Transport and General Workers Union said it was considering backing the demand for the reinstatement of Derek Robinson, an avowed Communist who is the chief shop steward at Leyland's Longbridge Austin-Morris plant. But tonight, the Engineering Union declined to give official sanction to the strike.

Mr. Robinson, 54, was fired last week after 38 years at the factory for helping publish a booklet calling for sit-down strikes to block implementation of a company plan that would reduce the labor force. Leyland workers approved the plan in a vote held early this month.

British Leyland Chairman Sir Michael Edwardes has threatened to resign if Mr. Robinson is rehired.

Leyland today said about 17,500 of the company's total work force of 165,000 are still on strike over the dismissal, compared with 22,000 yesterday, with workers at 5 of its 36 plants still out. At Longbridge, 4,000 are working on the day shift compared with 3,000 yesterday, while 5,000 are still on strike, it said.

Patients Held Unable to Cope With Life Outside Institutions

Attacks Rise on U.S. Policy on Release of Mentally

By Lawrence K. Altman

NEW YORK (NYT) — As part of a deliberate national reform, hundreds of thousands of mental patients have been discharged from the nation's psychiatric hospitals in the last two decades. The policy grew out of the belief that mental institutions were doing as much harm as good.

But this shift of patients into the community has come under attack from political, professional and community leaders who see it as ill-conceived, inadequately carried out, poorly monitored and, in a society giving mental health low priority, a subject of disproportionate fiscal restraint.

A panel reporting to President Carter's Commission on Mental Health noted that "it is now widely acknowledged that deinstitutionalization has, in fact, often aggravated the problems of the chronically mentally disabled."

"All too commonly," the report said, "no one reviews the requirements of the disabled persons to assess whether hospitalization or community care is more appropriate for their level of functioning."

Psychiatrist James Prevost, New York State's mental health commissioner, acknowledged that the post-hospital care system was insufficient, partly because of professional mistakes. His office, he said, is seeking legislation requiring broader follow-up planning for patients with mental illness.

In addition to the the lack of planning, Dr. Prevost suggested, the movement away from institutions may have gone too far too fast. "People rushed pell mell away from the 'snakepit,' the notion of the asylum," he said. "They forgot that there were some good aspects — the sense of belonging, the structure, protective living that was not provided in the community."

Conspicuous Victims

Conspicuous victims of the absence of the structure are the thousands of mentally troubled patients who have come here and to other U.S. cities, where they strain shelters, proprietary adult homes, single-room occupancy botels and other facilities not designed with their care in mind.

The current approach began almost unnoticed, as a part of a growing antipathy toward mental hospitals. As a result, the population of U.S. psychiatric hospitals has been reduced by about two-thirds, from 558,922 in 1955 to 191,000 in 1975, the latest year for which figures are available.

The policy grew out of a convergence of ideas and trends: Changing views of individual rights and civil liberties, newer concepts of pyschiatric care, court rulings, fiscal pressures and expanded coverage of psychiatric illness by health insurance companies.

Even now, many psychiatrists are sympathetic to the movement against institutionalization, and they fault the implementation more than the policy itself.

The movement was based on the notion that lengthy hospitalization and dependency on institutions was a major factor in perpetuating disturbed behavior and that the community approach represented the least restrictive — and thus, somehow, the most wholesome — environment. There was the widespread feeling that many patients were simply stored away in institutions where they got little or no treatment and where their civil rights were abrogated.

Dr. Robert Cancro, head of the psychiatry department at Bellevue Hospital and New York University, said, "The tragedy now is that we turn away people who belong in the hospital. Instead of admitting those people who are most treatable, we have to take those who are most disturbed and violent."

In his view, "virtually everyone we turn away" could benefit from psychiatric care at the hospital.

Can't Cope

According to doctors who see them frequently, many of those discharged from mental institutions have been unable to cope with the basics of everyday living — finding shelter, coming up with the money to feed and clothe themselves — and are often unable to prevent such trivial things as cuts from becoming festering sores.

When their actions become flagrant, they are brought, usually by the police, to a hospital. Soaring readmission rates indicate the high turnover of patients who are treated briefly and then released again — in accordance with the current policy.

The concepts of deinstitutionalization and community mental health were formalized in 1961 in a congressionally mandated report of the Joint Commission on Mental Illness and Health. The report became a blueprint for President John Kennedy's program of community mental health centers, announced in 1963.

"When carried out," Kennedy said, "reliance on the cold mercy of custodial isolation will be suplanted by the open warmth of community concern and capability."

The policy took account of advances in new drug treatment that made it possible to help many people get over acute episodes of psychotic behavior, although no cure has yet been found.

The Kennedy approach was followed by federal court rulings that mental patients should be treated under the least possible restraint. The promise was that by 1980, there would be 2,000 such centers in the country. There are now about 700.

A major problem, as Dr. Cancro and others see it, is that patients scattered to communities seem to require an even larger cadre of professionals then was needed when the patients were concentrated in a single institution.

Basis Too Broad

Some critics contend that, not only was the basis of community mental health centers too broad, but also that political and psychiatric leaders promised too much and raised false expectations in creating them.

Critics also cite statistics published by the National Institutes of Mental Health showing that there has been no change in the percentage of the population that live in institutions. These critics contend that the community mental health policy has not led to deinstitutionalization, but rather to a policy of transinstitutionalization, w... formerly hospitalized patien... ed to nursing homes.

As the concept of com... mental health, as well as ... cate balance between civi... and the need for custodial c... re-examined, remedies to t... rent problems are incr... sought — so far with no fi... swers. Many experts assert ... lutions to the problems will... more than additional fundi... suggest that there is pervasi... lic apathy toward the plight... mentally ill.

They also say that soci... problems involved are social... than medical or psychiat... would require improved ... vocational support and ... vention. Accordingly, lea... tend, the problems cannot b... by psychiatrists or the medi... fession alone, but will req... attentions of political lead... planners.

Forcing 30%-Devaluation of the Rupee

Sugar Slump, Inflation Jar Stable Regime in Mauritius

By Pranay B. Gupte

PORT LOUIS, Mauritius (NYT) — The "diwali season" bere, the Hindu festival of lights, is traditionally celebrated with gaiety by the large Indian immigrant population. Gifts and sweets are exchanged, firecrackers are exploded, and Moslems and Christians join in the revelry.

But this diwali season, Mauritius, an Indian Ocean country of 900,000, was in an economic and political crisis that raised questions about the stability of the government of Sir Seewoosagur Ramgoolam.

Faced with double-digit inflation, mounting losses in the sugar industry, the country's mainstay, and inadequate foreign aid, Sir Seewoosagur was recently pressed by the International Monetary Fund to do something that appears to threaten his government — devalue the Mauritian rupee 30 percent.

"We had little choice in this," said the 79-year-old prime minister, who has been in power since independence from Britain 11 years ago. "We have had severe economic difficulties, foreign-exchange problems and a shrinking favorable balance-of-trade situation. The IMF has promised further help. We are hoping that devaluation will discourage unnecessary imports and make it possible for our exports to be cheaper."

"We want to make an economic recovery and put Mauritius back on the right track," he said. "We are optimistic about this."

Higher Export Duties

The devaluation, the first since independence, surprised the political and business community, although it had been known for some time that the IMF was urging it.

The government announced an increase in export duties for the sugar industry to 17.5 percent from 10 percent. New taxes are also to be imposed on the prosperous hotel and tourism industry, and the bank rate has been raised by 1.5 percent to 10.5 percent. Sir Seewoosagur said there would be an across-the-board wage increase of 13 percent.

The devaluation has brought a sharp increase in the price of such staples as rice, cereals and vegetables. On a recent morning it was virtually impossible to buy rice in the boisternus city market here. "Hoarding," a policeman explained. "The rice will come out when the prices go even higher, as they will."

"We had been telling the government that constant wage increases were dangerous for the economy," said Jacques Koenig, secretary-general of the Mauritius Chamber of Commerce, criticizing the devaluation. "The government has also been unable to tighten import policies. Until now, the Mauritian currency had been stable."

"The devaluation is a disaster," said Paul Berenger, secretary-general of the leftist Mauritius Militant Movement, which has pledged to bring the government down. "There should have been better planning all these years. The government of old man Ramgoolam has been living in a dream world. The government simply failed to adapt to the changes in the economies of the West."

Sugar Plunge

Mr. Berenger was alluding to rapid fluctuations in the world sugar market that have hurt the Mauritian economy. In 1974, at the height of the sugar boom, world prices were more than $1,200 a ton. Starting in 1975 they plunged to around $300 a ton, which is about where they are now.

But the government continued to grant wage increases, allowed relatively large imports of luxury items, and increased government spending on free primary education and health services. Wages have trebled in four years, raising per-capita annual income to almost $800 while fueling inflation.

The authorities say inflation has been about 10 percent a year, but most private economists put the true figure at 30 percent or more. The trade deficit is believed to be at least $100 million, and foreign-exchange reserves are now said to be about $15 million. Mauritius must import almost all its food, including 80,000 tons of rice a year.

Sugar accounts for more than 70 percent of the national income. The government's plans to diversify agriculture, strengthen the tea and tobacco industries and push light industry have had only modest success.

"We would have much preferred a wage freeze," said Theo Maigrot, estate manager of Belle Vue Sugar Plantations in Mapou, one of the country's biggest sugar manufacturers. Mauritius is expected to export 685,000 tons of sugar this year, of which 500,000 tons will go to the European Community under a past agreement for almost $450 a ton, considerably above the world market price.

Burma Thieves Take Jewels From Statues

RANGOON, Burma, Nov. 27 (UPI) — Thieves broke into a museum in Mandalay and stripped gold and antique jewelry from statues of Burma's last two kings, the government said.

Police officials in Mandalay, 430 miles north of Rangoon, said that the museum was burglarized Friday night by several thieves who escaped with more than 320 jewelry pieces made of gold and other gems. The jewelry adorned the statues of King Mindon and his son, King Thibaw, who reigned in the 19th century.

Obituaries

Harry Abrams, a Pione... In Publishing of Art Bo...

NEW YORK, Nov. 27 (NYT) — Harry N. Abrams, 74, a pioneer in the popularizing and publishing of quality art books, died Sunday night in New York.

As head of the house that bore his name and which he established in 1950, Mr. Abrams combined a flair for merchandising art books and a serious responsibility for both the quality of the reproductions and the text that accompanied them.

Among the first to devote himself solely to the publication of art books, he deplored what he called "portfolios of pictures," saying that he had always held out for lots of text written by eminent scholars.

Among the titles he published were "A History of Far Eastern Art" by Sherman Lee, an orientalist; "Art Treasures of the Louvre," by Rene Huyghe, the museum's curator in chief, and "Paul Gauguin," by Robert Goldwater, a professor of art history at New York University's Institute of Fine Arts.

As for the quality of the reproductions, he once said: "I was dissatisfied with the art books on the market. The booksellers liked the sparkly, byped-up ones rather than ours, which looked like the painting. Bernard Berenson said we had the best art reproductions of any publisher."

Mr. Abrams was born in London, and emigrated with his parents to the United States in 1912. He attended Manual Training High School, the Art Students League and the National Academy of Design. In 1926 he obtained a nonsalaried job at Schwab & Beatty, an advertising agency. Through the agency, he came to the attention of Harry Scherman, who had founded the Book-of-the-Month Club. Mr. Abrams was hired as art director of the new enterprise and he soon began to use art reproductions in the publications of the club.

In 1949 he decided to publish his own books and left the book club. He started his company with $100,000, a sum that was, he later said, wholly inadequate. "The only way we survived," Mr. Abrams said, "was through our friendship with shippers, printers, binders." He called them the unsung heroes of the publishing world. It took his company five years to break even, but by 1958 he was considered the largest U.S. publisher of art books, with more than 200 titles in print. He had sold 50 million individual color reproductions.

In 1966, his firm, Ha... Abrams, Inc., was sold ... Times Mirror Company of ... geles, with Mr. Abrams re... as chairman. Two years ag... ing a more active role, he ... company and founded Ab... Press, also for the producti... books. He was head of that ... ny at his death.

—THOMA...

Marcel l'Herbie...

PARIS, Nov. 27 (UPI) — ... cel L'Herbier, 89, the ... French film directors who... spanned half a century, di... day at his home.

Mr. L'Herbier directed ... films, including silent on... of his works became Fr... sics. He was considered on... greatest directors in the p... tween the two world wars.

He began his film career ... with "Rose de France." H... major films included "La ... tastique," "Eldorado," "... niers Jours de Pompe... Bonheur," "L'Argent," ... Parfum de la Dame en No... last film, "Le Pere de... moiselle," was produced in ...

In 1944, L'Herbier foun... Institut des Hautes Etudes C... tographiques, which he head... 1969. He also was a co-fou... the Cinematheque Francaise.

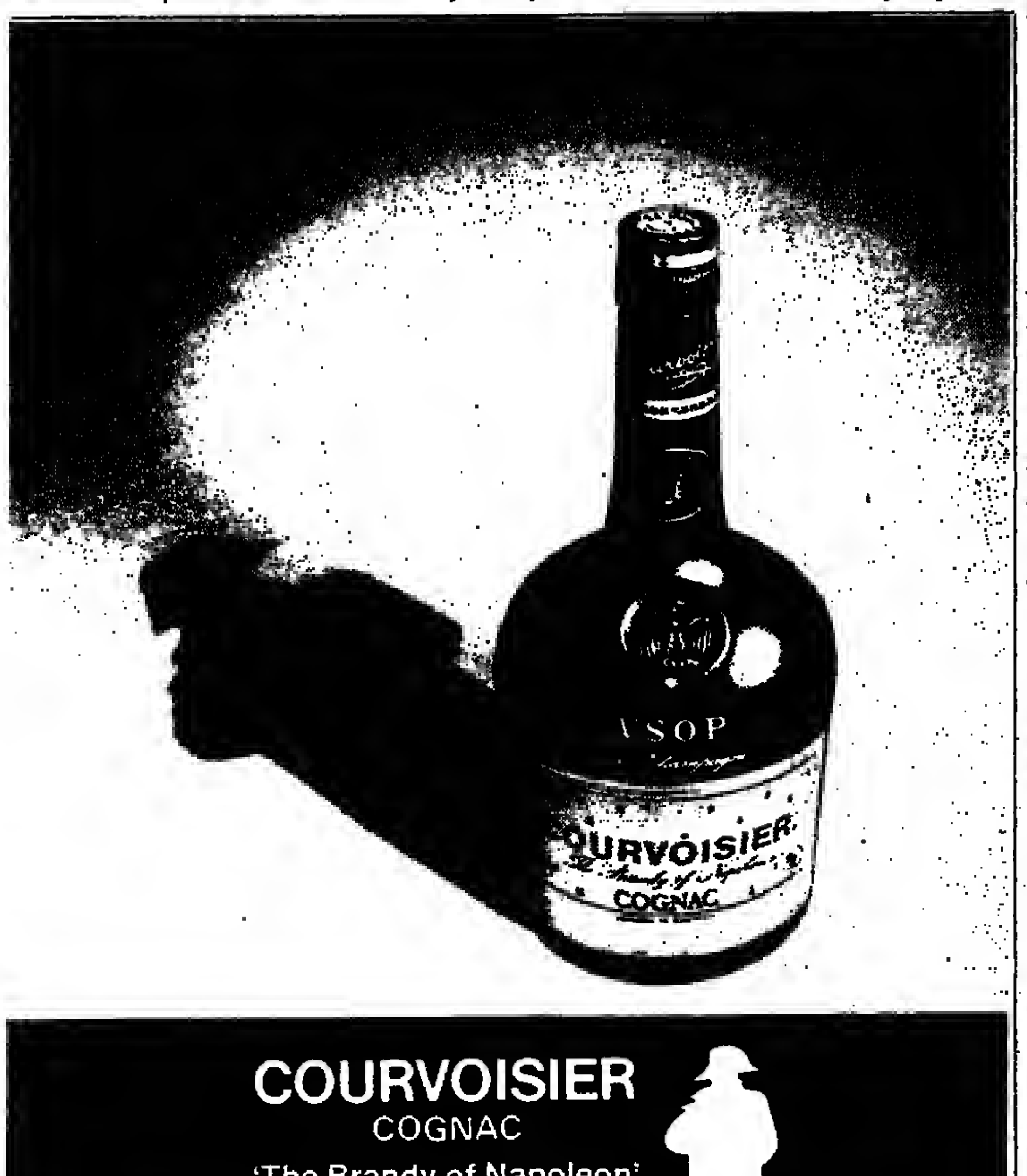
Frenchman ... After Eating ... Snails at Da...

From Agency Dispatches

NANCY, France, Nov. ... Snail-eater Marc Quinq... 27, has died in a hospi... after an exhibition perfo... hospital officials said yest...

Mr. Quinquandon ... weighed 167 kilos (abo... pounds), lost consciousne... urday night after eating 72 ... in three minutes at a danc... died.

Friends said that Mr. ... quandon had swallo... record total of 144 snails ... minutes last July in ... Thiaucourt, and that he ... training to establish ... record next year.



Bombs Injure 13 in Ulster; Christmas Offensive Feared

From Agency Dispatches

BELFAST, Nov. 27 — Shops, offices, hotels and two trains were damaged in a bomb blitz in Northern Ireland that police fear could be the start of a Christmas offensive by the Irish Republican Army.

The IRA's Provisional wing claimed responsibility for the blitz in a statement today.

The IRA, which is fighting British rule in Ulster, hit targets in 10 cities and towns in five counties at about the same time late yesterday, shouting a warning so that people could be cleared before the explosions, police said. Police said 13 persons, including two British soldiers, were injured in 30 explosions during the seven-hour wave of bombings.

Belfast bore the brunt of the attack, the worst in Northern Ireland for several months. One of the few large remaining hotels in the city, the Chester Park, was gutted by a large fire started by three bombs in the foyer. No one was injured. Within minutes, a large supermarket, the offices of an insurance company and an electronics store also were hit. Several other bombs were found and defused.

In Lurgan, three persons were injured in an explosion and in Omagh four civilians and two British soldiers were injured when a car bomb exploded.

A bomb on a train at Belfast Central station that was bound for Bangor exploded but no one was injured. Following telephone warnings that bombs had been planted on other trains, all departures from the station were canceled.

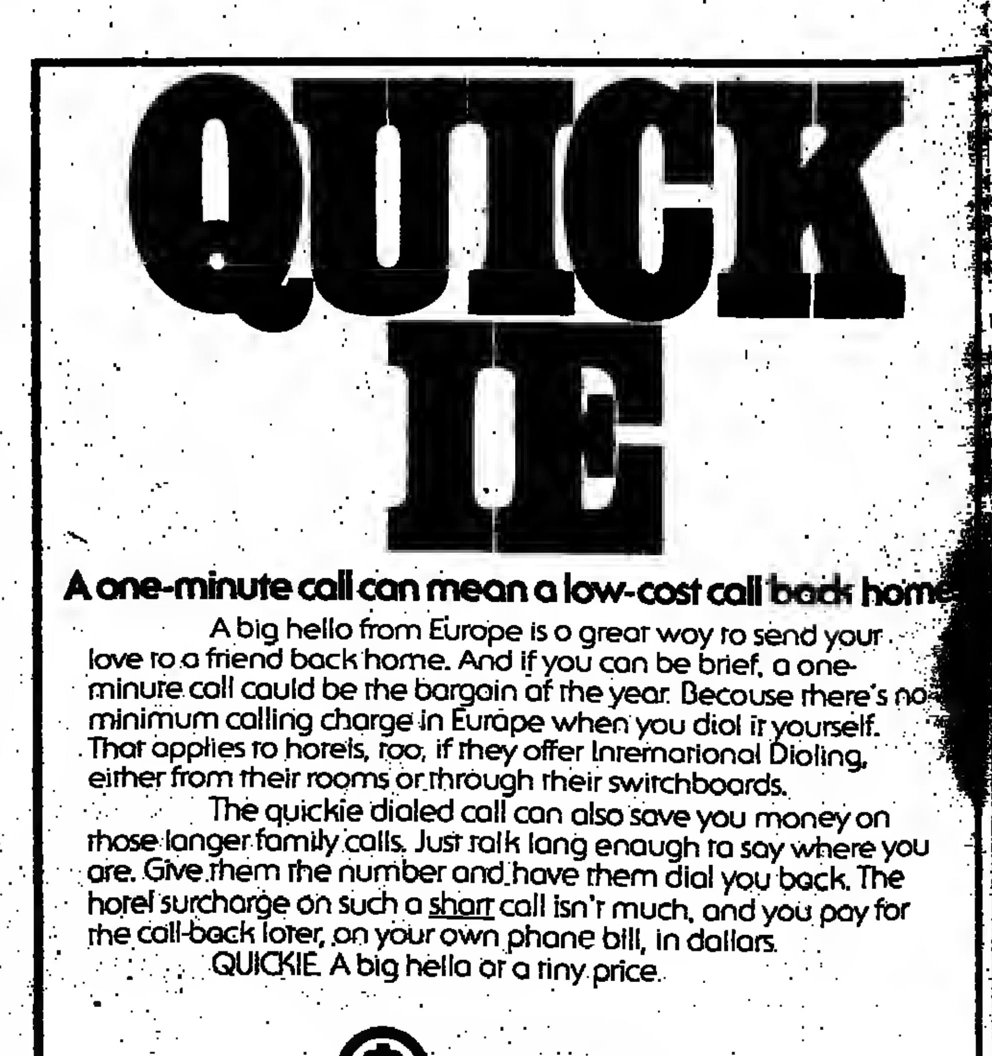
The Belfast-bound train from Lisburn, 15 miles south of Belfast, was stopped outside the city. Two bombs exploded minutes after the train was evacuated.

Authorities speculated that the offensive was in retaliation for the life sentence imposed in Dublin Friday on IRA member Thomas McMahon, who was convicted of murdering Earl Mountbatten of Burma last Aug. 27.

Indonesia's Intention On Prisoners Sought

LONDON, Nov. 27 (Reuters) — Amnesty International said yesterday that it was disturbed by reports that 1,500 Indonesian political prisoners would not be released by the end of this year despite official assurances to the contrary.

The London-based human rights organization said that it had asked the Indonesian government to confirm that it would meet its commitment, made on Nov. 15, to release by the end of 1979 the 1,500 remaining political prisoners who were not to be tried. Some have spent 14 years in jail.



lms in Paris

Olivier Has Little Bite In Toothless 'Dracula'

By Thomas Quinn Curtiss

ARIS, Nov. 27 (IHT) — As Laurence Olivier is indisput- the greatest English-speaking r in practice, something should lone to bail him out of the sort novie assignments he is being ded. Recently he has been the pient of embarrassingly shoddy l, and weird casting appears to ransforming him into an eccen- character player. He is being ed upon to speak only various ds of broken English for which must disguise his splendid voice muffle his precise diction, all the very junkiest flimflam that lywood has disgorged of late.

r "Marathon Man" he was a y Nazi dentist, in "A Little Ro- ice" a funny Frenchman, and in e Betsy" an American automo- tycoon who looked like John D. kefeller at the age of 97 and ed like Frank Morgan.

ll this bodes no good. Certainly artist of Olivier's stature should ire great respect and, as he is a wing card, be entitled to parts thy of him. George Arliss, a far rior actor to Olivier, when at ier's present age, signed up for ies to be afforded roles suited is personality: Disraeli, Alexan- Hamilton, Richelieu, Roth- ld and Wellington.

"Dracula" (at the Boul'Mich the Paramount City Triomphe nglish), a "straight" screen ver- of the Hamilton Deane-John lerson play confected from m Stoker's old chiller-diller nov- one expects to find the finest lern Shakespearean celebrating ry off from the classics with a p as the bloodsucking count of pathia, a role he might touch up the suave, humorous irony he loyed as Richard III. But he is Dracula at all! Instead he im- onates, again with dialect-ac- a Dutch savant, cognizant of pire habits, who rids the haunt- astle of its menacing monster. master of every theatrical trick, ier, of course, brings it off with mb, but why was he ever sad- with this piffle.

s for this latest "Dracula," it is ted and commonplace. A more ss solemn remake of the initial ie adaptation with Bela Lugosi, h Tod Browning directed in and which is still fairly fre- t on TV, it seems uncalled for quite unnecessary. It is not an rovement on the earlier film, it- not one of Browning's best, and e "Dracula" has been burlesqued again and again the last few seasons its original thrills have lost their once-hypnotic hold. To reissue it as a gripping melodrama today is akin to asking us to burst into tears when the band strikes up "Break the News to Mother."

Frank Langella is its black-cloaked, pale-faced villain, stalking his prey after nightfall and reposing in a coffin by day. Olivier is allotted to play support to him, but quickly dispatches him with histrionic superiority. Langella is an affable comedian, having a trace of polished style, but Olivier, grotesque makeup and more grotesque dialogue notwithstanding, is the best actor the movies now have in their clutches.

* * *

• "Meetings with Remarkable Men" (at the UGC Opera, the UGC Odeon and UGC Biarritz in English) is Peter Brook's screen translation of G.I. Gurdjieff's account of his youthful wanderings and spiritual quest.

According to his autobiographical fragments Gurdjieff was born a hundred years ago in Alexandropol, near the Russian-Persian frontier. Of Armenian parentage, he trained for the priesthood and studied medicine, supporting himself by various trades. He has related his travels in Turkey, Greece, Central Asia and the Gobi desert and how he listened to the wise men of the regions before turning sage himself in Russia. Fleeing the Bolshevik revolution, he established the Institute for the Harmonious Development of Men at Fontainebleau where he — as guru — recruited an extraordinary following that included the time theorist Ouspensky, Katherine Mansfield, the English editor A.G. Orage, Muriel Draper, the bizarre Bohemian hostess; and the American writer Solito Solano.

The Brook adaptation, filmed in Afghanistan, covers Gurdjieff's formative years. First there is Mikica Dimitrijevic as the boy Gurdjieff, eager for words of wisdom from his father and the village elders. Then we have Dragan Maksimovik as Gurdjieff grown to manhood and undertaking excursions to remote realms to gain spiritual knowledge. On occasion he encounters a Slavic prince (Terence Stamp) also on the hunt for enlightenment. The two prick up their ears to catch the priceless sayings of their teachers, but all one hears are rather muddled platitudes. They are instructed to watch exotic dances and one recalls Nietzsche's statement that he could only believe in a god who could dance. Dance seems to have become a ritual of Gurdjieff's creed — a means of attaining harmony with the infinite — and it is said that by hypnotism he could freeze his swirling dervishes to maintain set poses for long spells.

The theme and the picturesque setting are pleasingly novel, but the film itself makes little dramatic progress. The repertory of dances has insufficient variety; the dialogue, partly highfalutin, provides no discernible message; and the performances, although competent, are troubled by the stilted script.

* * *

Andrei Mikhalov-Kontchalovski is a young Russian director, representative, it would seem, of the contemporary Soviet cinema. His film "Siberiada" (at the Paramount Montparnasse and the Marivaux in its original version) was selected for competition in the Cannes festival and was awarded the jury prize. A three-hour chronicle of social change in the wilds of eastern Russia between 1915 and the 1960s, it is in the epic form, but minus the abrasive preaching that has marred so many movies from Russia.

It is in its approach rather than in any novel technique that the film suggests that a new wave may be gaining force in the Russian studios, as last year's "Slave of Love" *gently hinted.* It is *splendidly acted,* which has become a hallmark of Soviet films, and it moves to compelling dramatic effect. Kontchalovski is obviously an uncommon and *deep-running cineaste. Arriving* in Paris for his film's premiere, he announced that he was preparing an opera — one in the "pop" manner — of "Crime and Punishment," certainly a unique project.

Laurence Olivier in "Dracula."

Jazz

Bill Evans: 'Playing for Young People'

By Michael Zwerin

PARIS, Nov. 27 (IHT) — It is not necessarily true that only low common denominators can be commercial. There are such things as high common denominators. We all have nervous systems, where music lives, in common. Music goes up *and* down. Volume, repetition or *schmaltz* are *not* the *only* ways to reach that place.

In listening to Bill Evans at Espace Cardin last night, it was particularly obvious that virtuosity, taste and modesty can do the trick as well. Although Evans recently signed a lucrative contract with Warner Brothers Records, it was for nowhere near the sum accorded rock groups of similar stature. Espace Cardin only holds 400 people, so we are not talking about a common denominator on the order of Supertramp, for example, which packs in 10,000 customers every night.

But the youth of Evans' audience is striking; he is not only reaching *nostalgic fans.* Asked about it afterward, he said: "I'm playing for mostly young people now — I figure close to 75 percent. I don't know why that is, except possibly, *in general,* a lot of the people who started listening to rock when they were teen-agers don't find enough there to satisfy them as adults. Also I've noticed that young people these days are *interested in the entire* spectrum of jazz. They are no longer limited to what's happening right now, the latest hip thing, like when I was starting to play. Jazz is old enough to have a history and young people these days pick the styles they prefer, like with classical music."

Evans figures as much in the history of jazz as anybody active today. He was with the Miles Davis quintet of the late 1950s, and recorded "Kind of Blue" with Davis. He is on more than 50 record albums — with Tony Bennett, Stan Getz, Jim Hall, Kenny Burrell, Toots Thielemans and many others — but his own trios constitute his real contribution and reflect his personality.

Pianist Evans: A trio is "pure."

Evans has led a trio for 20 years, and its early recordings with Scott LaFaro on bass and Paul Motian on drums are classics. His trios have become one of the principal models for instrumentation; he is the quintessential trio pianist.

He says a trio is "what I always wanted. It's pure. I can control and shape my own music better without a horn, which tends to dominate things."

His current formation is as good as any he has had. Mark Johnson, a young bassist who left Woody Herman's band to join Evans, is one of the few who can get an exciting sound on an acoustic instrument without resorting to amplification gimmicks that imitate electrical textures. Joe La Barbara's drumming, particularly his brush work, is perfect for Evans' loose sense of time.

The result is like a hot tub — a most interesting soak, at that. Evans' music surrounds, soothes, penetrates and leaves you feeling clean.

Evans turned 50 this year, but his approach to improvisation has not changed much in the 25 years he has been in the business. He has managed to stay youthful while maturing, to be both of his time and timeless.

An author was once asked what century he would choose to live in. He answered: "The 18th century with penicillin." And, we might add, with Bill Evans.

Bill Evans trio: Barcelona, Nov. 28; Geneva, Nov. 29; Turin, Nov. 30; Reggio, Dec. 1; Palermo, Dec. 2; Stuttgart, Dec. 3; Lyons, Dec. 4; Koblenz, Dec. 5; Hilversum, Netherlands, Dec. 7; Groningen, Netherlands, Dec. 8.

Arts Agenda

PARIS — The 100th concert in the Concerts du Dimanche Matin series at the Theatre d'Orsay, on Dec. 2 at 11 a.m., will feature Jean-Louis Barrault, the clarinetist Michel Portal and the pianist Jean-Claude Pennetier. The program will include works for piano and clarinet, including Brahms' Sonata (Opus 120) and Four Pieces from Opus 5 by Berg, as well as solo works for the two instruments and texts recited by Barrault.

Furniture

London's Low Priest of Clean Design

By Geraldine Pluenneke

ONDON (IHT) — "I think it's a human trait that people are uisitive and greeeedy." Terence ran rolls the double "e" over his ue, savoring vowel and idea, grins irreverently.

At certain times in my life I've ed into a new house or flat and been empty and I've thought, rvelous!' Then your house be- es fuller and fuller — and you k, 'Oh, God, why have I let all e *things* creep into my life? I re- would prefer a white wall.' " ascetic white cubicle where he is bare expect for a pair of rs, tables, telephones and the through a gray London after- n of the grimy brick walls of a ent Garden warehouse.

t 48, Conran is London's low st of clean design. He operates only a major international de- firm, but an international retail n — the Habitat and Conran s. The success of the spare, ched Habitat look has filled don homes with good, inexpen- furniture and has made Conran llionaire.

He created a world that didn't t here before — unless it cost earth," says James Pilditch, a ish designer and competitor to ran. "He intuitively found what ple wanted."

Elitist Activity

hat, Conran says, was a desire hed the *clutter* of the industrial lution — a yearning for fewer better things. "William Morris very much concerned with this ect — would a simpler life be a er sort of life? I *think for many* ple it would — and is."

Conran started designing furniture in a basement workshop shared with sculptor Eduardo Paolozzi in the early 1950s. "Good design was seen as an elitist activity — and expensive," he recalls. Conran had dreams, his training in textile design at London's Central School of Arts and Crafts, and no cash.

So he went to Paris for a two-month stint in its kitchens, then back to London to launch a simple restaurant, the Soup Kitchen. On opening night, he remembers, a band of 42 tramps sized up its spare look and name and trooped in for a free meal. They got it.

In the early 1960s Conran parlayed three Soup Kitchens into enough cash to open a 40,000-square-foot furniture factory. He developed a line of clean designs that were in sharp contrast to the overblown baroque in most stores and opened his own shop, Habitat, on London's Fulham Road — the habitat in 1963 for Swinging London. It seized the look: tubular steel, natural woods, pure colors (especially vernal apple green, spurned by older English as unlucky) and uncluttered crafting.

Debt to Bauhaus

The firm now sells 1 million Habitat catalogs annually and has sold 500,000 copies of glossy Conran-edited books on furnishings. Habitat and Conran shops have jumped the Channel, with 10 in France and a pair in Belgium, and across the Atlantic with three U.S. outlets.

A critic says that Habitat's look "sprung out of the Bauhaus, the intellectual debates of the '30s, and was pure-art school stuff of the '50s." Conran acknowledges the enormous debt of every designer "to the Bauhaus for pulling the shrouds from people's eyes."

Where is design going now? "I think we've come out of a rather reactionary period which was caused by the rapid economic decline of the early '70s — we *were* coming out of it — and are about to again produce things that are truly modern, fresher and more optimistic than the retrogressive thinking of the last five years."

He refers to the success of Laura Ashley prints, runaway sales of "The Country Diary of an Edwardian Lady," the flood of books on turn-of-the-century shooting parties, mistresses and yachts. "It's very easy to go on creating stage sets, saying the world was a better place then. It wasn't. It's a natural reaction of people who are frightened about the future.

"*What's enormously influential* at the moment is the realization all over the world that raw materials and fuels are going to be in shorter supply," he says. "We've got to recognize this fact, and design for it." He nods toward the outer offices of his 80-designer studio from the niche that he uses when in London.

Usually he works at his country home, a converted schoolhouse where he lives with his wife, Caroline, and their three children. Beneath ranks of copper pots in a *sprawling kitchen,* Terence and Caroline, the food editor of The Sunday Times, are writing a food encyclopedia. Conran says it will tell "how to prepare and cook all the foods of Europe and America the *simplest* possible way."

INTERNATIONAL
Herald Tribune
Published with The New York Times and The Washington Post
Page 6 Wednesday, November 28, 1979 *

Spur the Hunt for Energy

It has been known for decades that liquid petroleum is only a drop in the bucket of hydrocarbon fuels beneath the earth's surface. The great attraction of what we commonly call crude oil is that it is easily and cheaply recoverable and refinable. As a result, despite the fact that supplies are rapidly diminishing, oil companies and producing countries have for practical purposes ignored comparatively high-priced alternatives. Shale, tar sands and other forms of heavy oil have been discussed endlessly in energy seminars and experimented with in laboratories and pilot plants, but so far they have not been commercially exploited on anything but a very small scale.

* * *

Now, once again, there is talk of developing the Orinoco tar belt in Venezuela. Along with the Athabasca tar sands in Canada, this is the most talked about source of heavy oil in the world. A new paper by a senior Venezuelan oil executive contends that there are at least 70 billion barrels of economically recoverable oil in the Orinoco region. According to a summary of his report, scheduled to be presented at a UN energy conference today, Orinoco oil could be extracted and converted to a liquid that can be processed in existing refineries for between $5 and $13 a barrel. What the summary does not say is how many billions of dollars in capital investment it will take to get the tar flowing, although one report suggests about $20 billion.

* * *

Until now, capital investment is precisely what has held back development of these potential sources of Western energy independence. It seems that Venezuela has now calculated that enough investment is warranted to install the technology to produce a million barrels a day from the Orinoco region by the year 2000. If the Venezuelan judgment is deemed correct by the major international oil companies, it should spur a re-examination of the cost effectiveness of developing other heavy oil sources in the Amazon basin, under the Arctic ice cap, in the Western United States and Canada. Different technologies are involved in all of these areas and the cost will vary accordingly. In each case, however, Western governments should encourage the extraction of this hard-to-get oil.

With the price of contract oil now over $25 a barrel, spot market oil selling for $40 or more a barrel, Iranian supplies insecure, Kuwait and Abu Dhabi planning to cut production, Saudi Arabia not really interested in maintaining production at current levels and Iraq and Libya, as always, unstable, it is time the West moves toward energy independence. There is no safe, cheap, pollution-free energy source. Therefore, Western governments should provide incentives for development of a broad range of alternative energy sources, including more oil, which is both relatively clean and safe if no longer cheap.

* * *

The best way to do that is to let the price of key oil products rise, especially gasoline in the United States. As soon as the oil companies conclude that they can make money by developing heavy oil they will do it. In the meantime, high prices will stimulate conservation. Instead of returning windfall profits to consumers, they should be spent developing Colorado shale, Orinoco tar or liquid natural gas. If it is politically unpalatable to give the money directly to the oil companies, whose recent profits in some cases have exceeded 100 percent, perhaps President Carter's energy board should manage it. The point is to act now. Oil inflation is not the only inflation. The cost of turning shale and tar to oil keeps going up, too.

INTERNATIONAL HERALD TRIBUNE.

Defrosting Human Rights

In 1965, the Senate somehow found the time to ratify the Vienna Convention on Diplomatic Relations. For that, Americans can now be thankful: It is the legal bedrock of the U.S. case against the embassy seizure in Iran. Yet, shamefully, the Senate has never found time to vote on other covenants of a far broader scope addressed to the urgent concern for basic human rights — a concern that President Carter has called "the heart and soul" of his foreign policy.

Four international covenants, all framed with U.S. help, are now before the Senate Foreign Relations Committee. At recent hearings, these treaties won the endorsement of a formidable procession of national organizations, among them the American Bar Association, the AFL-CIO, Amnesty International and leading religious and civil rights groups. Only three out of 50 witnesses were counted as hostile. Yet between senatorial apathy and lukewarm administration lobbying, the covenants are likely to be forgotten again.

* * *

Three of the treaties seek to spell out universal standards for civil, economic, social and cultural rights. A fourth is an inter-American convention on human rights. The covenants are couched broadly to transcend the bounds of ideology, in most respects stating principles that Americans take for granted. Some difficulties do arise, as in prohibitions against propaganda for war and racism that might well run afoul of U.S. guarantees of free speech. But these can be avoided by appropriately qualifying U.S. ratification.

Treaties like these have died before in the Senate, in part out of fear that they would open a back door to amending the Constitution. Such fears have all but doomed the Convention on Genocide, which has languished in the Senate for three decades. But the legal problems have been grossly overstated. Each of the four covenants would require specific congressional action to make any clauses operative within the United States. Hence ratification would not mean the imposition by fiat of alien law. Moreover, to allay all possible fears, the State Department has gone to extreme lengths in proposing reservations. One would, in effect, assure unimpaired freedom for the United States to execute children or pregnant women.

U.S. approval of the covenants can have practical effect. The human rights standards spelled out in the Helsinki Accords of 1975 have turned the spotlight on violations in Eastern Europe. Yet, ironically, these accords also oblige the signatories to adopt the international covenants now before the Senate. Hence the United States, through inaction, could be charged by communist countries with failing to comply with the same accord it invokes to criticize repression elsewhere.

* * *

The United States is thus left open to the charge of hypocrisy, a charge that cannot be persuasively countered by civics lectures on the difficulties of getting 67 senators to vote for ratification. That problem is real. It can best be addressed by a determined administration effort to educate the Senate and the country on the visibly increasing importance of international law. There may, indeed, now be a persuasive one-word argument for ratifying the conventions expeditiously: Tehran.

THE NEW YORK TIMES.

International Opinion

Blocking Iranian Funds

The U.S. decision to block Iranian holdings has considerable potential for destabilizing the international exchange situation. No doubt the market would be able to handle the sums involved if the Iranians were able to put through large-scale transfers — always provided that the central banks concerned maintained their cooperation with one another. But major complications could arise from the U.S. freezing operation, particularly for the foreign subsidiaries of the U.S. banks, which are in principle subject to the law of the land in which they are established. Iranian action in Swiss courts, for example, could raise some delicate legal problems, especially as Switzerland, like other countries, has always resisted the extraterritorial application of U.S. legislation in the interests of the rule of law.

— From the Neue Zuercher Zeitung (Zurich).

Britain and EEC Budget

Prime Minister Margaret Thatcher has staked a good deal, perhaps too much, on her meeting with European Economic Community leaders in Dublin this week . . . She has said that Britain's net contribution to the Community budget of more than $2 billion a year must be reduced in toto. This may be music to our ears, but it seems to have made very little impression south of Calais and not all that much more in Bonn . . . Mrs. Thatcher will certainly have some persuading to do, though commentators who foresee Armageddon should not forget that compromise is another name for politics, even in Mrs. Thatcher's lexicon . . . It seems to us to be unfair that Britain, the third poorest member of the Community, should be by far the largest net contributor.

— From the Daily Telegraph (London).

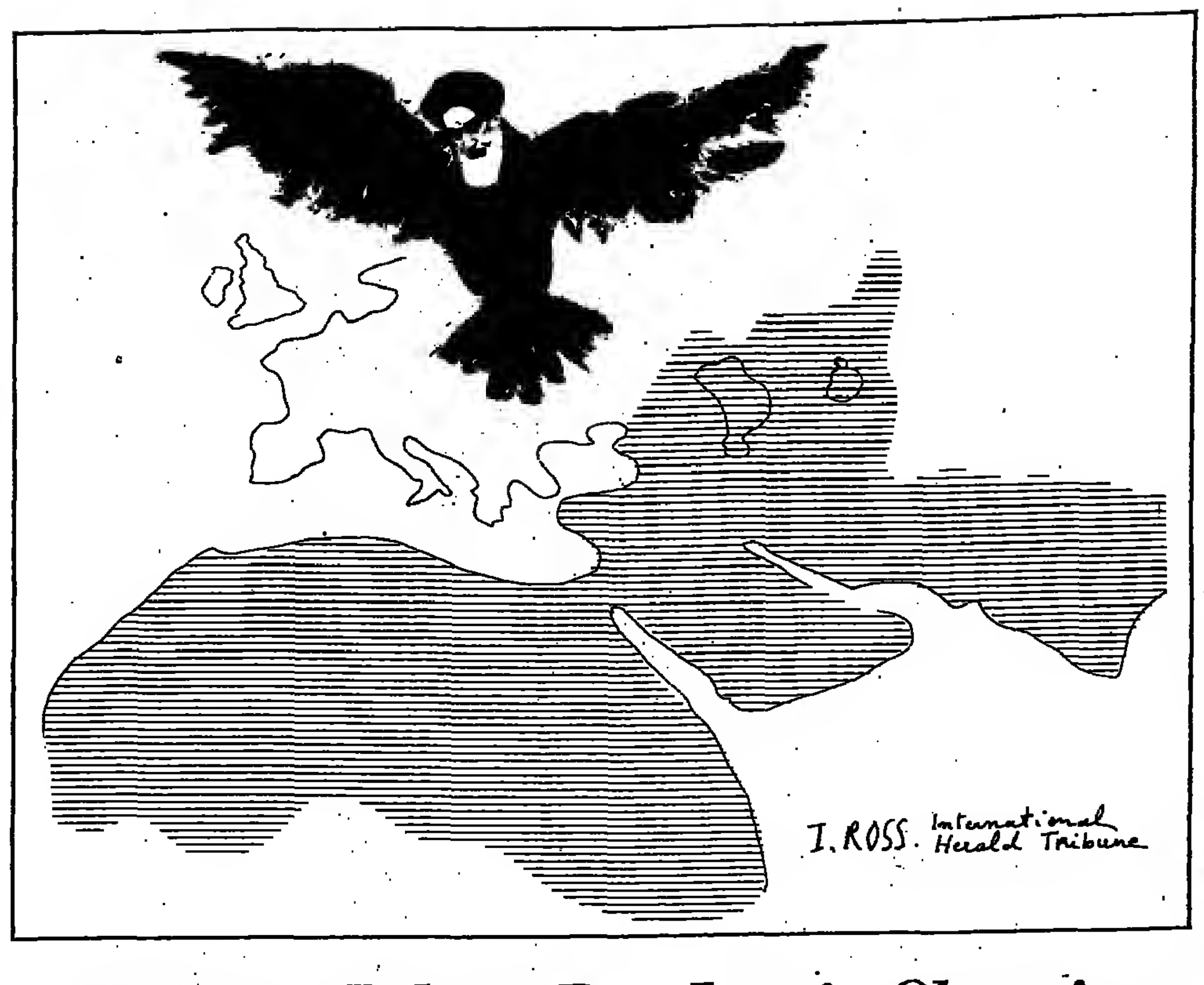
In the International Edition

Seventy-Five Years Ago
November 28, 1904

NEW YORK — The New York Times commented in an editorial: "Probably no intelligent Russian imagines that Russia can go on permanently in the condition in which it now exists as an anomaly in modern Europe and the world. If the Russian ruling classes content themselves with continuing to sit on the safety valve of popular discontent, history warrants us in expecting an awful explosion. To allow popular discontent to express itself through the Zemstvos, or such a channel as may be open, and to pay heed to its expression, form the surest means of preventing such a general overturn in Russia as a century and more ago occurred in France."

Fifty Years Ago
November 28, 1929

AIX-LES-BAINS, France — When a young French girl, Andrea Carron, marries the Aga Khan, wealthy Indian potentate, Prince George, youngest son of the King of England, will act as a witness. The Aga Khan III, 57, is the head of one of the largest religious sects in India, the Ismaili, and asserts he is a direct descendant of the Prophet. He is a graduate of Eton and Cambridge. His followers are to be found not only in India, but in Afghanistan, Persia and Arabia. He is now trying to avoid the publicity that followed the announcement that he was to marry a shopgirl in her 20s. His future bride has been kept in seclusion.



Killanin: Politics Run Last in Olympics

By Lord Killanin

DUBLIN — While the sports pages of most international newspapers which I read are devoted to the preparation of athletes and competitors for the 1980 Olympic Games in Lake Placid and Moscow, frequently political stories make the headlines.

The Games are about athletes and sport, and it is the right of all those qualified to compete, regardless of race, religion, or politics. It is for this last reason that when mention is made of South Africa, which has had its recognition withdrawn by the International Olympic Committee, and most Olympic International Sports Federations, on the grounds of racial discrimination, that a counter-reaction is frequently "but why hold the Games in a communist country which does not conform with human rights or observe the Helsinki agreement?"

The major difference is that in South Africa, with its apartheid, i.e. deparate development, divides people racially, by law, into categories which they cannot change, because they are by birth black, white, colored or Asiatic. While these strict apartheid laws exist, it is impossible for the South African athlete to fulfill the obligations which are imposed by the International Olympic Committee and most International Sports Federations on the National Olympic Committee and national federations.

Awarded to City

The Games are not awarded to a country, and therefore, not to a government. They are awarded to a city. I admit that in the totalitarian states of the left and the right, the independence of sport is difficult, and often forms part of governmental organization. I believe there to be only some 20 to 30 National Olympic Committees which are based in what might be termed, in Western parlance, "democratic" countries. It is not the responsibility of the International Olympic Committee, International Sports Federations, or National Olympic Committees to become involved in the concepts of governments within the country where the Games are being held, provided that IOC rules regarding access for officials and athletes are fully recognized and the basic principles recognized in sport.

In the Soviet Union, while there is no institutionalized racialism, certain of their penal codes, which are the responsibility of the national government, might not be acceptable to a Western democracy. However, this again is not the business of the International Olympic Committee, although its members will naturally have their own viewpoints, depending on their political and national outlooks. It is a matter for governments, as is SALT-2 or the Helsinki Agreement.

I am subject to considerable criticism from the left and right. The president of the former South African National Olympic Committee has gone out of his way to make attacks on me, of which I am not ashamed. At the same time, I am subject to avalanches of obviously organized circular letters. These are formally acknowledged only, as I do not believe in getting into personal discussion with individuals or pressure groups. However, if these letters are directly concerned with the organization of the Olympic Games, whether in Moscow or Lake Placid, they are always forwarded to the organizing committee concerned.

Sakharov Letter

In August, Leopold Unger, in an article headed "Propaganda Gold in Moscow Olympics," (IHT, Aug. 30) wrote that Andrei Sakharov, the Nobel Peace Prize laureate, had written to me, although I never received the letter.

Subsequently, through the International Herald Tribune, I made enquiries and obtained a copy of this open letter, which, I repeat, had never reached me. However, as I have mentioned above, where there are suggestions made directly affecting the Olympic Games and come within our rules or area of responsibility, action is always taken.

Certain persons have asked that the IOC should press for the release of political prisoners at the time of the Games. Whatever one's sympathies may be, I do not believe it is the duty of the International Olympic Committee to interfere in the affairs of the Kremlin or the State Department, other than in their direct responsibility where government pledges have been given to the IOC in regard to the hosting of the Olympic Games and issue of invitations to all recognized National Olympic Committees.

There are accusations that the Soviet Union will make use of the Moscow Olympics for "window-dressing" and while the gold medalists will be remembered, those who are following their own consciences may be forgotten. My contention is that neither the Soviet government nor its opponents should make use of the Olympic Games for propaganda purposes. There are some who wish to see the Games withdrawn from Moscow. Not only would the IOC be in breach of contract if this was done but the Organizing Committee has not broken any of its commitments to the IOC.

We have had repeated assurances from the Soviet government that all recognized National Olympic Committees will be allowed access. In these days of vast propaganda and intelligence agencies working for the different political philosophies throughout the world, it is extremely difficult to sift the truth from the propaganda. The International Olympic Committee voted to award the Games to Moscow; it was for the first time to a communist country. Los Angeles, which has been awarded the Games in 1984, was the other applicant.

This was done in the belief that sport is universal and the political regime of any country should not be a consideration. This indeed was the view of the Federation Internationale de Football Association (FIFA), who persisted with their choice of Argentina for the last World Cup.

There are bound to be political problems between now and the close of the Games, and usually it is the unforeseen which happens, as was the boycott case in Montreal. It is tragic that sport, and especially the Olympic Games, is used for these political and frequently chauvanistic purposes. As president of the International Olympic Committee, I must think primarily and solely of the potential competitor from the five continents, and it is my sincere hope, as indeed it is that of the Organizating Committees, that all who are eligible will compete in Lake Placid and Moscow in 1980, but it should be remembered that to accept an invitation to compete is not compulsory, although once that invitation has been accepted, it is compulsory to participate under IOC rules.

Lord Killanin, president of the International Olympic Committee, wrote this article for the International Herald Tribune.

A Time for Daring

By William Safire

WASHINGTON — "Calculated delay" is the phrase chosen by one editorialist to praise the frustrated finger-wagging of the Carter administration, which refuses to acknowledge that this nation is being warred upon. In the 19th century, the favorite euphemisms were "masterly inactivity" and "disciplined inaction."

The trouble with such praise of folly is that it focuses only on the immediate incident — the taking of hostages — and considers some bloodless retaliation after the hostages are returned, or a more destructive reaction if the captives are killed.

Retaliation now or later is not the issue. Assume the shah returns to Mexico next week, and the United Nations agrees to hear Ayatollah Khomeini's complaints against him for such crimes as the land reform that weakened the mullahs. Then, if the hostages come out, the United States will warn other Americans in Iran such as newsmen to get out and avoid being taken hostage as we destroy the Abadan refinery. That would punish Iranians without seriously affecting shipment of crude oil to our nervous allies.

Power Spasm

The other scenario: If the current power spasm leads to the trial and murder of U.S. diplomats, U.S. forces could destroy Iranian air and naval facilities, seize the island of Kharg, blockade the Gulf, and determine how much food goes in and oil comes out.

Some such tactical retaliation would satisfy U.S. national pride and chastise the wicked, but would do nothing to turn today's diplomatic outrage to a U.S. geopolitical advantage.

A power vacuum will soon exist: The Khomeini phenomenon, an amalgam of the new fanaticism and the old rent-a-mob, will go as suddenly as it came. One of the two superpowers will then move strongly into that Gulf vacuum.

The Russians might try the direct route, with a coup by radicals in Tehran, backed by Kurdish and other tribal revolts elsewhere in Iran. Or they may take an indirect way: Iraq, now the most formidable military force in the region, despises its neighbor. The Arab Moslems in Iraq could seek to liberate their Arab breathren in Iran from the non-Arab Moslem Iranians; with Soviet backing, they would probably succeed, and Moscow would then control the oil lifeline to Western Europe.

Not Bashful

The Russians have not been bashful. With advisers and mercenaries, they have taken strong positions in Southern Yemen and Ethopia, although Zbigniew Brzezinski, ostrich-like, has been pooh-poohing reports of buildups there in recent months. Soviet sponsorship of an Iraqi move into Iran could cripple the West.

The other possibility is for the United States to seize this opportunity to become a welcome military presence at the world's energy jugular.

The United States has been provoked, its embassy territory invaded and its nationals captured and harassed. The best part of that is that the aggressor is neither Arab nor Russian. Rather than merely react, as we are expected to do, we could thoughtfully respond — in a way that projects our forces into the area on a long-term basis. We could recoup the losses of a decade and re-establish our strategic pre-eminence.

First, the United States should lease the two airfields being returned to the Egyptians by the Israelis in the Sinai. These are among the most sophisticated air bases in the world, built with U.S. equipment, capable of handling U.S. B-52s. If, for example, the occasion came to strike at strategic Mideast targets today, B-52s would have to fly from Guam to Diego Garcia, refuel, and carry out the mission; the United States and its allies would be better served by a Mideast facility.

Long-term leases of these desert outposts — no population nearby, no security problem — would position the United States legally as firmly as at Guantanamo. A substantial rental would help ease Egypt's economic woes. To protect the bases, a permanent U.S. ground force would be needed — which could double as an Egypt-Israel peacekeeping force — and could be strengthened by air quickly if Saudi Arabia or the oil emirates were threatened.

Quiet Offers

At the same time, the United States should be taking up the quiet offers made to it to sign leases at Bahrain and islands near Oman, stationing permanent naval forces there and ending the U.S. bulb-snatching of aircraft carriers.

As part of this strategy to reassure friends of the United States in the Mideast, we should promptly and decisively increase our military aid to the King of Morocco in his fight against Algerian-sponsored radicals.

Carter would have to set aside his Vietnam-era guilt in order to embrace such a strategy. He would have to confidently urge the rebuilding of our conventional military and naval forces; the 5 percent real increase bruited about at Camp David should be seen as more than a payoff for senators' votes for SALT.

The ayatollah's provocation is heaven-sent. The president's job is neither to turn the other cheek nor to retaliate in fury, but to use this incident with audacity to assert U.S. power in the Mideast and to reverse the strategic decline over which he has presided.

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Letters

Watergate: Trivial?

Anthony Lewis' "Efforts to Obscure Watergate's Lesson" (IHT Nov. 17-18) has the facts straight, but their interpretation backwards.

When he writes "A calculated effort is being made to obscure the meaning of Watergate" (another conspiracy?), to make Watergate "the common denominator of our political society," he is overlooking the role of Watergate itself in contributing to the present cynicism. Bad as Nixon's crimes were, they did far less harm to the country than the climate of self-seeking cynicism masquerading as higher moral idealism which preceded Nixon to office, and finally engulfed him. Now that a dawning of this truth is setting in admid the well-intentioned disorder of the Carter administration, Lewis' only recourse is to find a new conspiracy in the attempt to look at Watergate objectively.

There is no danger in trivializing Watergate: It was from the beginning a trivial event. The tragedy is, however, that continued moral simplicity, such as Lewis reflects in his article, means that we will continue to be haunted by Watergates for some time to come.

MARK HERRBACH.
Zurich.

Missile Decision For Europ[e]

By Enrico Jacchia

ROME — Optimism is the p[re]vailing mood in Washing[ton] official circles on the question [of] Euromissiles. Yet, the four days [be]tween Dec. 12 and 15, when a p[ack]et of decisions have to be taken [at] various levels of the Atlantic A[lli]ance, may bring some surprise.

The Kremlin's attitude is beco[m]ing tougher and Foreign Minis[ter] Andrei Gromyko delivered a bl[unt] warning to to members of the A[lli]ance last week in Bonn.

But the problem cannot be c[on]fined to the Soviet SS-20 and to U.S. Cruise and Pershing-2 missi[les]. Crucial alternatives faced by sev[eral] European political parties are at stake. The Euromissiles deci[sion] is the more direct and perilous c[hal]lenge to Eurocommunism.

The Communist parties — the European left has been in[vited] to join forces with them — scored substantial successes, du[ring] the past few years, in gaining re[cog]nition of their democratic beha[vior] in dealing with their political op[po]nents. They are nowhere in gov[ern]ment in Western Europe. But some countries, they are very n[ear] to it.

There is a price to be paid for admittance. The Eurocommu[nist] parties (with the exception of [the] French) have proclaimed their [ac]ceptance" of the Atlantic Alli[ance]. They are not enthusiastic abou[t the] Alliance, of course, and coherently oppose any NATO d[eci]sion for increased military sp[end]ing. But their official posture [is] NATO and the Warsaw Pac[t are] useful to maintain some sort of [bal]ance until detente has made substantial progress.

Their current attitude duri[ng the] past few weeks has surprised observers. When the United [States] tried to introduce the neutron [bomb] in the European theater, the [com]munists and a large fraction [of the] European left made such an i[m]sionate, successful opposition [that] the White House had to back d[own].

Nothing comparable has [hap]pened until now as regards the [initi]ative to introduce the Persh[ing] and the Cruise missiles, alt[hough] these weapons represent for the [So]viet Union a much greater d[anger] than the neutron bomb. The [...] of the opposition in most co[untries] is so moderate that it seems to [justi]fy the optimism that has been [...] in Washington.

And here comes Boris P[onomarev], a leading personality [in the] Soviet Communist Party, to t[ell] Eurocommunists that there is [...] it to tolerable heresy.

In Rome, these last days, h[e has] been outspoken: With the larg[e po]litical resources it commands [the] Italian Communist Party ma[y raise] hell — as it did for the [neutron] bomb — if it wants to. If the [...] government could be induced [...] stain in the Atlantic Council [...] the Dutch opposition would [be] stronger and the Belgians [...] hesitate. The West Germans d[o not] want to be left alone with a dec[ision] on the Euromissiles.

The appeal for unity made by authorative Communist le[aders] should be felt strongly by the [mili]tants because it touches a sen[sitive] nerve. Mr. Opnomarov seems [to be] saying that if they allow m[...] missiles be introduced in their [...] that could bring death and dev[asta]tion to communist countries, [they] betray the international move[ment]. For an orthodox communist, [there] is some truth in that.

Thus, during the forthcom[ing] weeks, and predictably also [...] after, the question of Europea[n de]fense, the U.S. posture, and [...] delicate internal political probl[ems] are intermingled.

In such a situation, many pe[ople] believe that by helping the E[uro]communists overcome their pre[sent] difficulties, the Western Europ[ean] democracies would make a fur[ther] step in the good direction. A la[rge] European left, effectively indepe[nd]ent from the Communist Party [of] the Soviet Union might finally e[m]erge in Western Europe.

But the opposite view has its s[up]porters, too. Thanks to their "co[m]promise" technique, the com[mu]nists are eroding the position of [the] Social Democrats and also that [of] the left wing of Europe's Chris[tian] Democrats. A political "gray zo[ne]" will replace the clear distinction [be]tween freedom and totalitarianism.

The advocates of this posi[tion] criticize the policy presently [pur]sued by the U.S. representative[s in] many European capitals. Inste[ad of] trying to smooth the approval of [the] Euromissiles they should — in [...] mind — help make the defense [...] a desperately passionate poli[tical] question. The Eurocommu[nists] would then be in great difficul[ty] their internal contradictions wo[uld] explode and the movement [...] eventually fade out: An event [...] favorable to the consolidation [of a] truly democratic left in Western [Eu]rope. The opportunity is so [...] they say, that it would be a p[ity to] miss it.

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Part Three

The Euromarket — 1979

International Credit Markets Offer Wide Array of Instruments

'Liability Management' Accepted by U.S. Banks

By William C. Melton

NEW YORK (IHT) — During the last 15 years "Liability lanagement" has become accepted y large American banks as a prinpal strategy for adjusting their nding capabilities. In tapping the omestic pool of short-term investle funds for the purposes of liality management, large negotiable rtificates of deposit (CDs) are en more important to banks than ading in federal funds or engaging repurchase agreements (RPS) for easury bills.

Because of the heavy bank relice on the CD market, the moneary authorities have on numerous casions used a wide variety of licy measures to influence bank e of CDs. In fact, since its introaction in 1961 no other vehicle for bility management has been subt to as many changes in regulaons.

As its name suggests, a certificate deposit is simply a receipt certing that a certain amount of mon has been deposited at the bank ning the certificate. The certifite also specifies the rate of inter to be paid and the date on which principal and interest may be thdrawn (the maturity date). rge denomination CDs, those in ounts of at least US$100,000, are ones used in liability managent. They are generally negotile, i.e., the owner may sell title to deposit to another investor prior the maturity date.

Because CDs are time deposits, ey are subject to federal reserve gulation D, which requires time posits to have a *minimum* maturi of 30 days. Time deposits are vered by deposit insurance up to first $40,000 of principal, and s is usually only a small fraction the face value of large denominan certificates. Therefore, invess must evaluate the likelihood of fault by the issuing bank when nsidering purchase of a CD.

Issued at Par

Since deposits cannot be accept by a bank on a discount basis, Ds are issued at par and are ded on an interest-bearing basis. lost other money market instruents, such as bankers' accepnces, commercial paper, and asury bills, are traded on a disunt basis). Should a CD be sold ior to maturity, the seller receives yment from the buyer for the incipal, — adjusted to current arket value — and for all interest crued from the original issue date the date of the sale. If the buyer lds the CD to maturity, he of urse receives both the principal d the full amount of interest indited on the certificate.

Interest on CDs is computed on basis of a 360-day year instead the 365-day year used for bond elds. Issuing banks post rates for Ds of various maturities — 30 ys, 60 days, 90 days, etc. — but actual rate is often negotiated tween the issuer and the buyer ., the depositor) and is affected the reputation of the issuing nk, the amount of funds it needs, size of the CD, as well as its m to maturity. The new-issue arket is called the primary CD arket, and interest rates paid on wly issued CDs are primary rates. ansactions involving outstanding CS take place in the secondary ealer) market at what are termed condary rates.

Day of Purchase

CDs are normally paid for in imdiately available funds on the y of purchase, and they are leemed in immediately available ads *on the day they mature.* To alitate settlement, CDs of many n-New York banks are often ised and redeemed through the iser's correspondent bank in New ork.

CDs are an attractive short-term, uid investment for individuals, siness firms, municipalities, and her organizations with large rounts of temporarily investable sh balances. Since CDs — unlike asury bills — are subject to at ist some risk of default, they typilly yield more than do bills of the me maturity. Thus, they are a npting alternative for an investor lling to accept slightly more risk return for a higher yield. Another vantage of CDs is that they may issued for any desired maturity at least thirty days), whereas a asury bill maturing on a specific y, e.g., a tax-payment day, may difficult if not impossible to lote. Also, legal restrictions on the investment powers of state and local governments force many to hold their temporarily investable funds in either government obligations or deposits *in* local commercial banks, thus, these restrictions often make CDs the only instrument on which municipalities can obtain returns on short-term investments that are greater than those available on treasury bills or other time deposits.

Distribution

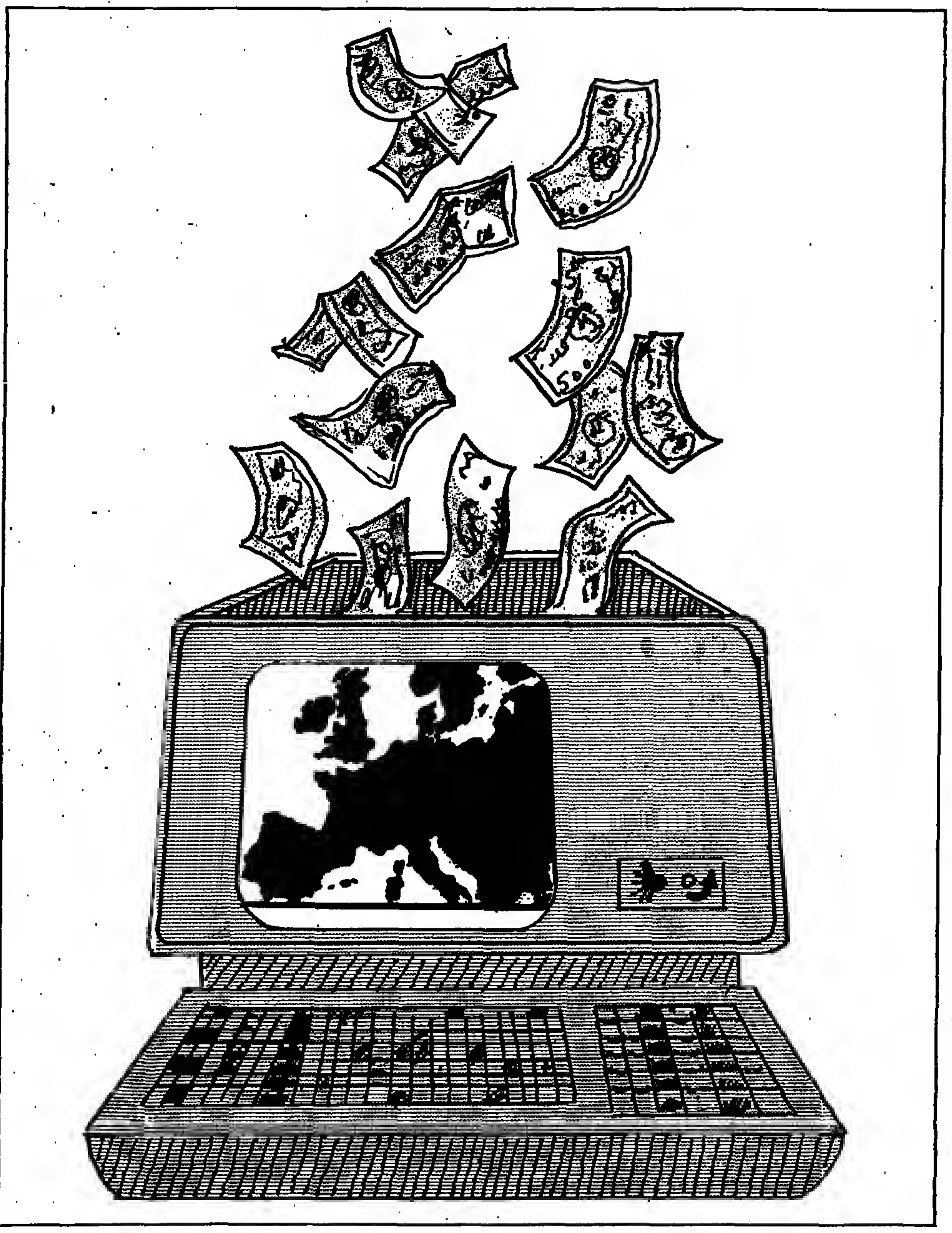
The present distribution of CDs among different types of investors is known only in broad outline. Some detailed information is available from surveys conducted in the early 1960's when there was only about US $10 billion of large CDs outstanding, compared with about US$94 billion at present. The results of those surveys, showed that, as one would expect, business corporations were by far the largest original purchasers of CDs, while the remainder was bought, in about equal amounts by state and local governments, foreigners, and "others." The surveys also showed that smaller banks tended to sell relatively *more of their negotiable CDs* to individuals and to state and local governments and that these CDs were smaller on average than those issued to other types of investors.

The only recent source of information on the distribution of CD holdings is the breakdown of weekly reporting banks' outstanding CDs into those issued to individuals, partnerships, and corporations (IPC) and those issued to all others. In most recent years, the share of CDs issued to IPC holders has been about two thirds. This suggests that the proportion of CDs orginally purchased by businesses and individuals has not changed much.

In liability management, banks actively seek more flexibility in expanding their *lending* capability in line with their profitable lending opportunities instead of adjusting *their lending to* deposits *received* more or less passively. Banks can do this by increasing their CDs when loan demand is strong and by allowing them to run off when loan demand turns sluggish. Only money-center and large regional banks have the ability to market their CDs effectively. The one hundred largest commercial banks with deposits in excess of US$1 billion account for about 90 percent of all large denominations CDs issued.

On occasion, even a large bank may not issue all of its CDs directly to investors. For example, when a banks liability management strategy requires it to market a large amount of CDs quickly, it may attempt to issue the CDs to dealers

(Continued on Page 11S)



Beware of Two Illusions: Diversification, Coupons

By Andre Coussement

LUXEMBOURG (IHT) — The international debt markets not only offer safe havens. They also offer a wide array of instruments. Most international investors are not satisfied with the stability of their national currency or with the return they can get — or both.

The international *markets* can better satisfy them but they must beware of two important illusions — the diversification illusion and the coupon illusion. Diversification was given credibility by the work of enlightened financial theoreticians, who demonstrated with charts, derivatives and the Greek alphabet that by diversifying investment in the stock market into companies of different sectors, one could increase the return and reduce the risk, defined as variation in earnings.

So people continued to diversify, as did corporations, to the point that telecommunications companies bought bakeries and oil companies bought department stores.

The theory's limitations quickly became apparent, but the idea that diversification was good, and that, in the uncertain world of floating currencies, it would reduce the risk to an international investor, remained. This has proved untrue. Diversification may have been good in the stockmarket, but the international capital market is not the *stock market.*

Stability

If an investor goes international, he looks for a good return and above all, long-term stability of his assets. Stability can be defined as very little or no depreciation vis-a-vis the currency of his future expenditures (usually his own) and maximum protection from monetary erosion. He should thus look for currencies that are related to his own. These should normally appreciate and have little chance to depreciate.

A European investor should thus buy European currencies, the stable and appreciating ones being the German mark, the Dutch guilder, and the Swiss franc. The French franc and sterling can be considered as giving a high *return*, but *are not* as stable.

By "diversifying" into dollars or yen, the European investor increases rather than decreases his risk. Here diversification promises the *opposite result from that demon*strated in backrooms concerning stock portfolios.

It could increase the return, but it also increases the risk.

South American investors, for in*stance, have better long-term securi*ty by buying dollar assets than anything else, unless they consider a retreat on the Riviera, in which case they become "European" investors because their future expenses are in European currencies.)

For people from the Middle and Far East, the problem is more difficult. Their currency has so far been related to the dollar, but this may not be the case in the future. They could probably reduce their risk by diversifying into European currencies and the yen.

Illusion

The coupon *illusion* often influences investors too much. Many prefer weak currencies with high coupons and ultimately lose more capital than they have earned on the coupon in the early years. Preservation of one's buying power is usually more easily achieved by protecting capital than by a coupon.

Institutional investors are important in the international market these days, and their currency choices are usually easier. Many are dollar-based or restricted to dollar investments, such as central banks and bermuda capitive insurance companies. The international markets offer them a wide range of flexible short-to-long-term investments.

Investment funds are equally important. They are often single currency funds and do not diversify, or their marketing is often concentrated in areas in which they look for stability vis-a-vis the area's currency. Central banks are trying to diversify out of the dollar because their foreign *trade is less and less* dependent on the dollar.

OPEC central banks and agencies, which are paid in dollars and have a lot of their future expenditures in currencies unrelated to the dollar, want to and should diversify to reduce their risk. The sheer magnitude of their holdings creates a tremendous gap between what they should do and what they can do. *This is a problem* that keeps central banks and the IMF busy enough.

Interest rates are at historic peaks in dollar and many other currencies, especially in German marks. This does not mean they will not go *higher* during this or another cycle, but it provides a good reason to start locking up some of the high yields.

The trade-off is between security and liquidity, on one hand, and return on the other. By rolling over short-term deposits, one keeps maximum liquidity. Return could be lost because of the risk of investing long-term too late, however.

Even if it implies some short term sacrifice in an inverse yield curve situation, the time is probably right to secure high long-term rates if one invests for the long term. This is particulary true for private investors whose access to the short term market is more difficult and less lucrative and who do not spend much time managing their savings.

For dollars, a strong case can be made for floaters, particularly drop *lock and convertibles, which should* provide high return for a long time and good minimum return.

While it is possible to forecast a trend for German marks and other European currencies, with the peak likely in late 1979 or early 1980, dollar interest rates are less predictable at the moment.

In choosing an investment, the investor needs to be aware the different possibilities. There are many sorts of instruments in many different currencies. Starting with dollar bonds, an investor has a choice between "yankee" bonds and Eurobonds. (Domestic U.S. dollar bonds are usually unsuitable because they are subject to a withholding tax for non-resident investors.)

Foreign bonds, issued in New York by foreign borrowers and called "yankee bonds," are tax-free *and carry higher* coupons than domestic bonds of similar quality. Their liquidity is nowhere near that of domestic bonds, since non-residents are the main buyers.

They are issued by syndicates led by U.S. investment banks, including many non-U.S. underwriters, and marketed all over the world. They are usually straight bonds, with maturities of five to 30 years, and of prime quality borrowers. On some occasions, borrowers offer a "put" option, for instance, optional repayment at 120 percent after five years. This offers the investor a chance to recover his "opportunity loss" on the yield of the bond if the stock performs badly. This option is rather unusual in normal markets because it places a high burden on the borrower.

Liquidity

Then come the "floaters." The concept is easy. It is long-term paper (three to 15 years) whose coupons are reviewed every three or six months *at a slight spread* (¼ percent usually) over Libor or the London Interbank offered rate or over the mean between bid and offered. The yield is thus much better than the yield given by rolled-over short terms *deposits, especially* for *small* amounts.

The secondary market is very liquid. Minimum rates are guaranteed but they are very low, usually 5 to 6 percent. The Eurodollar interbank deposit market (in London, Luxembourg, Singapore and any country that does not put too many burdens on foreign banking) offers opportunities for short term deposits.

Investors with small amounts, about $25,000, for example can get rates around 1 ½ points below interbank bid rates. The bigger the amount, the smaller the differential. For $1 million, one can usually get *the interbank bid* rate. This was about 16 percent for three months in early November.

The investor with at least $250,000 can get even more liquidity by buying certificates of deposit(cd's) issued by London or Singapore branches (and maybe soon Luxembourg subsidiaries) of prime banks. The return is slightly lower (1 to 1½ percent points below Interbank *bid, depending* on the amount and quality) but the liquidity is almost perfect thanks to a very active secondary market.

Private investors are the main target for floating rate note (frn) issues, although they are not the main buyers by a wide margin. Even so,

(Continued on Page 14S)

A Terrorist Decade: Ransom Tops $25 Million

By Thomas C. Hayes

NEW YORK — *Many* of *the world's* largest companies, lacking a unified defense and willing to pay large ransoms, have become the favored targets of international terrorist groups. By one estimate, they have paid at least $250 million in ransoms in the *last decade.*

According to recent two reports on the problem, many companies have responded by hiring former military and government intelligence officers, establishing top-level "crisis management teams" to administer detailed plans to counter terrorists and calling in negotiators who specialize in dealing with terrorists.

Nevertheless, analysts predict that rising terrorism against business executives and members of their families will not begin to decline soon. Terrorist incidents this year are running at a rate almost double last year's level, according to the Conference Board, an independent business research organization.

"A great many *terrorist incidents* involving business are negotiated out fairly quickly, and you don't hear about them," Ruth Karen, author of a lengthy report on worldwide terrorism for the Business International Corp., said. "The problem is reaching dimensions where the need for international actions is becoming apparent."

Business International is a private research and information organization with 400 corporate members whose work is primarily *focused on global development.* Its *report on* terrorism, which costs $2,500, was written primarily for Business International members, a spokesman said. The Conference Board report is free to its 4,000 member organizations and is available at $9 for nonmembers.

A committee at the United Nations debating terrorism has taken no action, Miss Karen, vice president for corporate public policy at Business Intenational, said in an interview. So, with few other international forums capable of confronting the matter, the problem of dealing with terrorism against business is likely to be left to individual companies for many years, she added.

Business has become a more frequent target, in part because governments, led by the United States and Israel, have refused to negotiate with terrorists, according to Patrick McGuire, who wrote the Conference Board report, "International Terrorism and Business Security."

Mr. McGuire also assets that sympathetic governments (he mentioned those in Libya, Czechoslovakia, Iraq and South Yemen) have reportedly reduced their financial backing of terrorist activities because terrorists have found that corporations under duress are often good *sources of money.*

Softer Target

"In effect, business is the softer target now," Mr. McGuire said at a news conference. "Any *strategist goes* to *the softer target.*" In general, terrorism has proved increasingly "cost-effective," he added. "One of the popular misconceptions is that terrorism is not very effective. But three out of four terrorist attacks since 1970 were considered successful."

The ransom insurance business, with policies commonly ranging in coverage from $1 million to $2 million, has mushroomed in recent years as a result of the terrorist activities. *Lloyd's of London, Federal Insurance and* the American Insurance Group are three major underwriters, according to Mr. McGuire.

These and other insurers prohibit companies from disclosing that they possess the ransom insurance on the belief that terrorists would then take aim at the insured executives. Mr. McGuire said, however, that there was no evidence of this. He estimated that as many as 200 companies included kidnapping coverage in their overall insurance plans.

Another blooming cottage industry is composed of consulting negotiators. One group, Control Risks Ltd. of Britain, has reportedly been involved in more than 60 kidnapping negotiations. "Some companies believe in using outside expertise against terrorists," Miss Karen said.

Ransoms Since 1970

In his report, Mr. McGuire noted that no *terrorist groups demanded more than $1 mil*lion before 1972. However, there were 12 cases last year in which more than $1 million was paid. "A ransom of $5 million to $10 million is by now virtually the norm for terrorists," he wrote.

He estimated that $150 million in ransoms had been paid to terrorists since 1970. Miss Karen of Business International put the figure for 1968 to 1978 at a minimum of $250 million, with United States-based corporations paying an estimated $125 million. The Exxon Corporation's $14.2 million ransom paid in 1974 to Marxist guerrillas in Argentina for the return of Victor Samuelson, an executive, is the largest on record in this country.

The ransom money received by terrorists is typically used to finance their future operations, Miss Karen explained. That means companies paying ransoms face "a new moral dilemma" since saving one life today may put *others* in *jeopardy tomorrow, she said.* To thrash out this and other difficult questions, many of the 55 companies she studied in the last year have set up "crisis management teams" to deal with terrorists that include the following:

- A policy-making executive, though usually not the chairman or chief executive.
- An international vice president familiar with the politics and culture of the areas where foreign operations are conducted, since most terrorist attacks occur outside the company's home country.
- A senior financial officer, who must make key decisions when a ransom payment becomes part of negotiations with terrorists.
- *A senior legal officer, since negotiations* often involve delicate transgressions of local laws, especially when corrupt governments are involved.
- A top human resources officer, to deal with both the victims of the terrorist act and their families and provide medical and psychological experts as needed.
- A senior public-relations officer, to deal with the anticipated inquiries from news organizations.
- *The company's security officer,* a "kingpin" of the team, with the worldwide security resources of the company at his command.

One problem in their studies was how to define terrorism, Mr. McGuire and Miss Karen acknowledge. In his study, Mr. McGuire included those acts that were motivated for "political" reasons, including bombings, hijackings and kidnappings, but not incidents inspired by "mercenary" or criminal reasons. Miss Karen said she was concerned with "kidnappings for ransom of corporate executives by political or criminal organizations."

The highest percentage of international terrorist attacks in the last decade against U.S. citizens was against businessmen, with 36.2 percent, according to the Business Interna*tional study. Also, American citizens were the* targets of 41 percent of terrorist attacks internationally, the most for any nationality.

The Conference Board study showed that U.S. businesses were the targets of a quarter of all terrorist attacks this year. In the first nine months of 1979, there were 2,662 reported incidents worldwide, Mr. McGuire said.

Euromarkets

Fears of Price Volatility Growing as Spot Oil Market Expand

By John Geddes

BONN — The spot oil market, despite international criticism and attempts to control it, is booming.

Officials of European and international agencies estimate that this market, where oil not under long-term contract is bought and sold, now accounts for at least 10 percent of the world oil trade. This is up from 5 to 6 percent at the beginning of the year and up from perhaps 8 percent early last summer.

"The trend is undoubtedly upward," said an official at the Organization of Economic Cooperation and Development. The prospects for a continuation of this trend, he added, were reinforced with the recent announcement by Iran that it might increase its spot market sales of crude oil in lieu of sales to U.S. companies.

At both international and national levels, officials are worried about the trend. A further rise in the volume of oil on the spot market could signal a move away from long-term contracts. This could transform the spot market from its subsidiary role of matching excess supply with demand or excess demand with supply into a major part of the overall oil market.

Such a transformation could extend the normal volatility of prices in the spot market to all oil prices and could further reduce the already weakened discipline of any price structure established by the Organization of Petroleum Exporting Countries.

In addition, an increased volume of spot oil dealing could shackle the nascent attempts to control the spot market because, almost by definition, the larger a market is the more uncontrollable it becomes. Pressures for control (led by France) have resulted so far only in a pledge by major oil-consuming nations to gather and share information on cargoes bought, prices paid and ultimate destinations. None of this information, however, is being gathered on a regular basis.

"Unfortunately, there's nothing inherent in the market itself that will limit the volume of oil traded at spot prices," one trader at a major oil company said of the possible diversion of Iranian oil into the spot market. "All it means is that a few more people will get telephones and telexes and take part."

The abstract nature of the spot oil market means that its size can be estimated only by sophisticated guesswork. By tradition, Rotterdam's huge Europort (which serves as an entry port for all of Europe) is the center of trading. Many participants in the spot market have offices in Rotterdam, but actually the market has no physical center. It exists through a worldwide network of telephone and telex lines.

'But it was not necessarily to be forever: The Fed had declared at the beginning that this new way of operating would be reviewed at the end of the year. As for the touch substance of policy, as distinguished from tactics, the simple answer that Mr. Volcker would give if he talked freely on such a question is — yes, he will stick to the policy.'

Because of this diffusion, one oil company's spot trader differs sharply with official estimates, saying that 10 percent of world oil trade was on the low side and that 8 percent for last summer was on the high side.

The guesswork has been made even more difficult by the increase in the numbers of players in the spot market. In the past, the market was shared by independent trading companies, trading arms of the major oil companies such as the Royal Dutch/Shell Group and the Exxon Corp. and a number of brokers, which provide a link between buyers and sellers.

In recent months, however, oil-producing countries themselves have entered the spot market. As a result, the market is becoming divorced from its traditional role as a supplement to the normal oil distribution network and is becoming part of the network itself.

The effect of this change is felt mostly on prices rather than as a disruption in supply. But major oil companies acknowledge that an accompanying trend away from long-term oil contracts presents potential difficulties in times of supply dislocation, since there are fewer secure sources for them where they are assured of getting oil.

The entrance of the oil-producing nations into the spot market is illustrated by the increasing share of crude oil as opposed to oil products traded on the market. On the Rotterdam market, European Common Market officials estimate, spot crude sales total about 10 percent of OPEC's output, or 3 million barrels a day. At times last year, they say, spot trading in crude totaled only 1 percent of OPEC's output.

Slower Growth

Much slower growth has been seen in the spot market for petroleum products, historically the major part of spot trading. Spot volume of products such as gasoline and heating oil have increased to only about 7 percent of world trade from 5 percent last year.

But even the Common Market acknowledges that its figures are only a guess. One spot trader with one of the major international oil companies said he thought that sp[...] crude trading currently totals 1[...] 13 percent of OPEC's production [...] 30 million barrels a day, up fr[...] to 6 percent last summer.

Further clouding the situation [...] the OPEC members themse[...] Some of these countries, espec[...] Iran, have already been cha[...] premiums for fulfilling long-[...] contracts to reduce the differenc[...] $15 a barrel between spot p[...] and most contract prices for c[...] Other OPEC members have [...] auctioning excess capacity at [...] prices, forming what one [...] agency official called a "pse[...] spot market."

This OPEC development is [...] sharp contrast to a pledge on [...] spot market made in a communiq[...] issued by OPEC after a sum[...] meeting in July. It said the "Member countries will take [...] to limit transactions in the sp[...] market in a collective effort to [...] the present price spiral."

Hamid Zaheri, chief spokes[...] of OPEC in Vienna, acknowled[...] that member countries had "res[...]ed" implementing the pledge. B[...] he said, "it's difficult when a bu[...] comes to your country and offe[...] pay more for additional capacity."

Bonn Uneasy on Mark Reserve Rol[e]

BONN (NYT) — The West German central bank has signaled anew its objection to any widening of the role of the West German mark as an international reserve currency, a possibility that could be one result of any Iranian move out of dollar-based assets.

The Bundesbank emphasized in its monthly report that, while its efforts to dampen the trend had thus far proved unsuccessful, any agreements on its part to a wider role for the German mark would prove dangerous for both the domestic and world economies.

The article, though written before Iran's threat to stop accepting dollar payments for oil, nonetheless dovetails with German statements regarding such a potential inflow of foreign funds.

Government officials have said that, while they probably could not stop any such Iranian move into German mark assets, it would be an unwelcome development and could only be done if accompanied by a declaration that no dollar crisis could result.

Behind the German unease is insecurity about what could result from such an Iranian move. On the one hand, it could push the mark's value higher, dampening the rate of oil-imported inflation. But, if the Iranian move touched off other inflows, the action could fuel domestic inflation by swelling the money supply and hurt domestic industry by making the mark's value too high.

Unsettling

Another unsettling factor is the acknowledgement by the central bank that the mark's seemingly unstoppable upward trend against the dollar is continuing to raise the amount of German mark assets held by foreigners, a possibly volatile factor in future months.

According to the Bundesbank, foreign holdings of nondirect investments in Germany doubled by mid-1979 to the equivalent of $92 billion from mid-1975. These investments, which include securities and bonds, rose despite a number of restrictions that were imposed in attempts to counter the trend. These included edicts against foreign purchases of bonds with maturities of more than four years.

A similar worry, the bank said, came from $82 billion worth of foreign mark investments outside Germany in 1978, funds and investments held by foreigners in the Euromarket, over which the German authorities have no control.

While all these factors were described as worrisome, the German central bank expressed the most concern over the adoption by other monetary authorities of the German mark as an important part of their currency reserves. The bank said that only the United States could provide the world with a reserve currency "without having its economic policy damaged by the fluctuations of capital flows."

Reserves

According to the Bundesbank, the German mark made up some 11 percent of the world monetary authorities' reserves by mid-1979, up from 7.7 percent in 1975. At the same time, these authorities increased their investments in Germany in German-mark assets to [...] equivalent of $6.7 billion, up fr[...] $777 million in 1975.

The fastest rate of increase in [...] eign monetary authorities' inv[...]ments in German-mark assets [...] recorded by members of the Org[...]ization of Petroleum Expo[...] Countries. Their share of inv[...]ments in Germany rose to [...] equivalent of $660 million in [...] 1979 from $40 million in 1975.

The German central bank [...] these inflows had mainly been [...] sult of investors' seeking the G[...]man mark as a flight curr[...] rather than any corresponding [...]crease in the German mark [...] transaction currency.

Although the primary argu[...] by the bank against the use of [...] German mark as a reserve curr[...] was the susceptibility of the co[...] to capital inflows and outflow[...] also argued against the adoptio[...] any nondollar reserve unit [...] than a unit made up of a bas[...] currencies, such as the Internatio[...] Monetary Fund's special draw[...] rights.

—JOHN M. GEDD[ES]

Growing Third World Debts Source of Increasing Concern

By Vanya Walker-Leigh

RIS (IHT) — The developing countries' mounting indebted- to both governments and pri- banks is causing increasing ern in financial circles, though problem can be "contained," bankers say, by rescheduling roll overs.

at developing countries that for years been striving for a pletely oew deal on debt have at won the beginnings of a oew oach to the problem. It is none- ss far from the moratorium or ranging cancellation they were nding until recently, or from a independent international commission.

e total outstanding debt of the odd non-oil developing coun- could reach an estimated $274 n this year, from $205 billion 77 and an estimated $238 bil- in 1978, according to the D. Debt service will reach $35 n, with service on OPEC's $40 n debt at around $8 billion.

Amortization

out 60 percent of this service sts of amortization, more than over through new borrowing ent years. A further $50 bil- o $60 billion is classified as nding obligations to the In- ional Monetary Fund. (In ast, developing countries only $5.5 billion on the bond t in 1977).

rather than submit to the credit conditions imposed by MF, many developing coun- in the "middle income" group borrowed extensively on Euro- ts, either to bolster reserves, e balance of payments defi- r service previous debts.

World Bank, in its World opment Report issued this au- warns that bank lending is to grow more slowly in the , for asset management rea- s well as concern about credit iness of developing countries. e curbs mooted for the Euro- cy market would also affect term liquidity available to de- ng couotries, though their fi- g needs seem fated to es- in the face of rising oil bills, g aid flows from and exports dustrialized countries in the t recession.

ratio of debt service to ex- of goods and services for middle income countries averaged 11.8 percent in 1977, but reached 24 percent for Latin America and the Caribbean. By 1985 and 1990, oo present trends, debt service could reach nearly 20 percent for the group as a whole, between 25 percent to 28 percent for Latin America and Sub-Saharan Africa; absorb up to 5 percent of Gross National Product, the Bank adds.

These levels, considered as not too dangerous by bankers, are seen as unacceptable burdens by the debtor countries. And there is worry about the "bunching" of maturities on short-term debt over the next five years when 70 percent of developing countries' debt to private lenders, and 24 percent to government lenders, fall due for repayment.

During 1978, this "bunching" was to some extent relieved by a voluntary refinancing procedure, but the World Bank Development Report warns that "concern about the maturity structure of external debt arises not because creditors will be unable to roll over the repayments of principal when they become due, but because the larger the porportion of debt that is subject to annual review and recommitment, the greater the danger that initial changes impairing o country's debt situation could trigger loss of confidence and a debt crisis. The concentratioo of private debt among debtors and creditors makes lenders sensisitive to developments in the borrowing countries. Seven countries — Algeria, Argentina, Brazil, Indonesia, Mexico, Spain and Yugoslavia — accounted for over half the debt outstanding to private creditors in 1977."

Money-Center

The World Bank adds that among U.S. banks, three-fourths of the total claims oo developing countries, estimated at around $50 billion, are held by 10 large money-center banks. During 1977 and 1978, however, oon-U.S. commercial banks, especially in Germany and Japan, have expanded lending much faster than U.S. banks, at an annual rate of around 30 percent Z.

Between 1956 and 1978, twelve developing countries benefited from 39 debt consolidation negotiations with creditors, covering some $12 billion public debts. (Argentina, Brazil, Chile, Ghana, Indonesia, India, Khmer Republic, Pakistan, Peru, Sierra Leone, Torkey, Zaire). Turkey benefited from another $2 billion bail-out organized by the OECD this summer. Sudan and Togo have just completed renegotiations, and Zaire is scheduled for a further round next month.

Consolidation for Argentina, Brazil, Chile, Peru, Indonesia, and Zaire have been conducted inside the so-called Club of Paris, an informal group of Western countries chaired by a French Treasury official (at present Mr.Michel Camdessus).

Renegotiations have taken place when debtors were either late with payments, had suspended them, or were on the verge of doing so. Creditor governments agree to oegotiate bilaterallly on the basis of the same or similar repayments terms, usually fairly short in time, with the debtor usually obliged to have agreed on a stabilization program with the IMF as part of o "stand by agreement" allowing it to draw on successive "tranches"(25 percent of its total quota with the Fund).

Private bankers also come together in their own informal grouping "The Club of London," recently making roll over of credits conditional both oo an IMF standby and consolidatioo of public debts.

This approach to debt has caused more problems than it has solved, developing countries claim. The IMF stabilization agreemeots, aimed at essentially achieving balance of payments equilibrium and exchange rate stability, has often involved harsh deflaoonary measures, a sharp drop in economic growth, with the burden of adjustment falliog most heavily on the poorest income groups. IMF insistence on slashiog food price subsidies sparked off riots in Egypt, and other programs caused political crises in Turkey and Peru, it is claimed.

IMF insistence on liberalizatioo of import and exchange controls bas often created severe balance of payments problems, leading to subsequent devaluations. An internal IMF study on the impact of standby arrangements and related policies between 1963 and 1972 coocludes that in 75 percent of the cases, measures adopted did oot reduce inflation, or improve the net foreign asset situation of debtor countries.

Trap

The director of the Paris-based Center for International Development, Juan Carlos Sanchez Arnau, warns that developing countries are now locked into a "debt trap." They are forced to borrow increasing amounts to service past debts and carry out stabilization programs with little relevance to the country's basie economic oeeds.

Private banks, be adds, favor ecooomie systems in which multinational companies have a key role: finance is thus available for either "import substitution" industries catering to the rich minority, but requiring imported capital, technology, spare parts and sometimes raw materials to function, thus adding to balance of payments burdens. Or private finance is funneled to "export" industries also oeeding a lot of imported "inputs," but which are supposed to improve the balance of payments situation.

Together with the "monetarist" policies imposed by the IMF, there seems little prospect of such countries' cracking the key problem of mass poverty, Mr. Arnau warns, or of their reducing external debt burdens.

This March, the IMF's conditionality rules were slightly relaxed, with executive directors agreeing that standby arrangements could be extended beyond the normal one-year period to three years "in appropriate cases," and that performance targets would be made a bit more flexible and dropped for stand-bys not going beyond the countries first "tranche."

A more "development oriented" approach to debt seems oo the way, following a series of oegotiations inside the UN Conference on Trade and Development(UNCTAD). In March, Western debtors decided to cancel some of the debts of the poorest couotries, so far amounting to $5.6 billion or 24 percent owed on official bilateral loans by 42 couotries. (See Table)

Blocked

Progress is also being made towards a modification of the Paris Club-type approacb to debt reschedulıog. Final agreement, however, is blocked by efforts of countries sucb as Pakistan and India, whose debts have been consolidated inside groups organized by the World Bank, to win some some retroactive terms adjustment on their debts.

If this obstacle can be overcome, UNCTAD officials see a oew approach being formally agreed on next March. The chairman of the Paris Club would still be Mr. Camdessus, but instead of acting oo behalf of creditors, be would play a completely independent role. Debtors would be able to hold wide-ranging prior consultations with officials of UNCTAD, IMF and the World Bank before calling for a creditors' meeting. Debt negotiations would be conducted according to a series of agreed "features." These would include oot only consideratioo of the immediate balance of payments problem, but also longer term situations, relating to structural, financial and transfer of resources problems, requiring appropriate longer term measures.

International action would also take due account of the debtor's economie and financial situation and performance, its development prospects and capabilities and of external factors, bearing in mind internatiooally agreed objectives for the development of developing countries.

This oew approach will hopefully open the "debt trap," a little. But in the absence of a completely oew world financial system, as well as a critical look at present development philosophies in developing countries, it looks as if the Third World will keep on piling up debts for some time yet.

Estimated Sources and Uses of Euro-Currency Funds

End of month	Reporting European area[1] Total[2]	Reporting European area[1] of which non-bank[2]	United States	Canada and Japan	Other developed countries	Eastern Europe[4]	Offshore banking centres[5]	Oil-exporting countries[6]	Developing countries	Un-allocated[7]	Total
	in billions of US dollars										
					Uses						
1976 December	76.4	51.5	18.2	21.6	33.0	20.8	40.8	9.6	24.7	3.9	247.0
1977 December I	99.2	69.9	21.0	18.7	42.8	23.0	43.7	15.6	30.0	5.4	300.0
December II	110.4	77.2	21.2	18.7	30.6	25.3	43.9	15.7	30.2	3.2	300.0
1970 March	115.8	80.2	18.5	20.4	21.9	27.0	43.4	17.6	21.0	3.6	210.0
June	117.8	82.3	19.8	20.8	21.9	28.5	44.6	18.8	33.7	3.5	319.0
September	127.0	87.0	22.0	21.8	32.8	31.2	51.5	21.0	28.6	4.0	348.0
December 2	136.0	92.0	24.6	24.6	34.7	21.4	55.0	24.3	40.1	4.2	275.0
December II	139.5	94.5	24.6	24.6	34.7	21.4	55.0	24.2	40.1	2.0	377.0
1979 March	141.0	96.2	25.8	26.2	34.0	30.8	53.2	24.2	44.5	3.5	384.0
June	147.6	100.9	30.4	27.5	36.1	32.6	59.1	26.2	40.7	3.7	412.0
					Sources						
1976 December	86.7	45.5	18.6	10.5	21.2	6.4	30.1	45.2	21.3	6.7	247.0
1977 December I	108.6	54.9	24.9	0.4	26.6	6.4	22.2	54.0	29.5	0.4	300.0
December II	117.3	56.0	25.4	6.4	18.6	7.0	22.4	54.5	28.6	5.6	300.0
1978 March	123.2	58.6	26.8	9.8	20.0	8.8	32.9	54.5	31.3	4.0	310.0
June	131.0	62.1	26.5	8.7	21.8	6.9	35.5	51.4	32.1	2.2	319.0
September	140.5	66.3	29.1	11.3	25.2	7.7	38.7	52.6	37.3	4.8	348.0
December I	142.5	70.1	37.0	13.0	26.2	0.8	45.4	54.7	39.8	7.6	375.0
December II	144.5	70.1	37.0	13.0	26.2	8.6	45.4	54.7	39.8	7.6	377.0
1979 March	150.5	73.1	38.4	13.3	26.0	7.7	43.7	56.3	42.4	7.7	384.0
June	183.0	81.4	42.3	13.8	28.1	7.0	46.0	58.8	44.6	7.7	412.0

1 Up to December 1977 (December I) the reporting European area covered Belgium-Luxembourg, France, Germany, Italy, the Netherlands, Sweden, Switzerland and the United Kingdom. Since 1977 (December II) it also includes Austria, Denmark and Ireland. Conversely, as from 1977 (December II) positions vis-à-vis Austria, Denmark and Ireland are excluded from the positions vis-à-vis "Other developed countries".

2 Includes: (a) under "Uses", the banks' conversions from foreign currency into domestic currency and foreign currency funds supplied by the reporting banks to the commercial banks of the country of issue of the currency in question (such as DM funds deposited with German banks); (b) under "Sources", deposits by official monetary institutions of the reporting area, the banks' conversions from domestic into foreign currency and foreign currency funds obtained by the reporting banks from the banks in the country of issue of the currency in question (such as funds received in DM from German banks).

3 On the sources side including trustee funds to the extent that they are transmitted by the Swiss banks to the other banks within the reporting area and to the extent that they are not reported as liabilities vis-à-vis non-banks outside the reporting area by the Swiss banks themselves.

4 Excluding positions of banks located in the Federal Republic of Germany vis-à-vis the German Democratic Republic.

5 Bahamas, Barbados, Bermuda, Cayman Islands, Hong Kong, Lebanon, Liberia, Netherlands Antilles, New Hebrides, Panama, Singapore, other British West Indies.

6 Algeria, Bahrain, Brunei, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Oman, Qatar, Saudi Arabia, Trinidad and Tobago, United Arab Emirates, Venezuela.

7 Including positions vis-à-vis international institutions other than BIS.

November 1979

Euromarkets

Oil: 'Balanced on a Knife Edge'

By Richard D. Lyons

WASHINGTON — In a phrase that has become almost a cliche in energy circles, the world demand and supply of oil is "balanced on a knife edge." The phrase has been used over and over again here by the Carter administration, a British Cabinet minister, a top official of the Common Market and the Saudi oil minister, Sheikh Ahmed Zaki Yamani.

Perhaps because of the delicate balance, oil itself has become a knife — a weapon that is as effective in dealing with geopolitical disputes as combat troops and jet fighters. President Carter and Iran have both deployed the oil weapon in the battle over the deposed Shah of Iran, Mohammed Reza Pahlavi, who is being treated for cancer in a New York hospital, and the Americans at the U.S. Embassy in Teheran, hostages of the regime of Ayatollah Ruhollah Khomeini.

Mr. Carter said he would refuse to buy Iranian oil and asked his Western allies not to increase their imports. The ayatollah said he would refuse to sell oil to the United States, anyway. Iran then said it would withdraw its billions of dollars on deposit in American banks — revenues the country has amassed from the sale of oil. Mr. Carter thereupon froze the Iranian deposits.

The United States — as well as the other major industrialized nations — is becoming ever more vulnerable to the power of the oil weapon. Six years ago, when the Organization of Petroleum Exporting Countries first deployed it in boycotting sales to the West during the war against Israel, the United States imported about 2.4 million barrels of oil a day from the Arab producers.

Yet, astonishingly, the latest data show that the United States now is importing more than twice as much from OPEC — 4.9 million barrels daily despite a half dozen years of rhetoric about the need for decreasing the United States' reliance on foreign oil.

'Col. Qadhafi's threats, the last of which was followed by the dispatch of a senior State Department official to Libya to soothe the chief of state, have also been followed by major price increases.

Saudi Oil

The fact that Saudi fields account for one out of every 10 barrels of petroleum products being used in the United States today underlays the deferential, almost fawning treatment Sheikh Yamani was accorded by official Washington while paying a visit here last month.

As evidence of the almost naked power that the Saudis have over the U.S. economy, even some Cabinet secretaries went out of their way to stop by Sheikh Yamani's hotel for a chat.

This wooing of officials from oil exporting nations was even more apparent in the reciprocal visits early this year of Mr. Carter to Mexico and its president, Jose Lopez Portillo, to Washington.

One serious source of friction between the two neighbors was the agreement by which the United States would buy 300 million cubic feet a day of Mexican natural gas.

While the amount is relatively small about one half of 1 percent of U.S. consumption, the settlement of the long-standing dispute over prices and amounts of gas at the very least moves the two countries closer toward U.S. purchases of other Mexican natural resources.

With an eye toward imports of oil from Nigeria, now the second largest exporter to this country, the State Department in the 1960's and early 1970's went to great lengths to steer U.S. support away from the Biafran secessionists, despite widespread emotional support among Americans for the plight of people living in the rebel areas.

Nigeria as an energy supplier has risen to the point that in May, the latest month for which figures are available, it sold the United States more than a million barrels of crude daily, one-sixth of domestic imports.

Such were the overtones when Andrew Young, the former chief U.S. delegate to the United Nations and a man highly regarded in black Africa, visited Lagos as a member of a U.S. trade mission two months ago.

And the State Department has supported Nigeria's position on the Zimbabwe Rhodesia political problem, during the course of which Nigeria nationalized the British Petroleum Company's 20 percent holding in a joint development venture.

Also in May, Libya supplied U.S. refiners with slightly more than 10 percent of their imported feedstocks, at a rate of 644 million barrels a day.

Col. Moamer Qadhafi, the Libyan leader, has repeatedly warned that he would cut off oil exports to the United States but has failed to carry out the threat in the face of the huge amounts of money involved, perhaps $5 billion this year from U.S. oil companies, some of which is used to bankroll international terrorist activities, although most goes toward expansion of the economy.

Col. Qadhafi's threats, the last of which was followed by the dispatch of a senior State Department official to Libya to soothe the chief of state, have also been followed by major price increases.

As a measure of the burgeoning national coffers, before the Arab embargo Libya received about ... million a day as proceeds of its nationalized oil industry.

Power and Money

Thus oil is not only power ... money, in the case of the major exporters, oceans of it. Since the Arab oil embargo generated ... price increases for crude, OPEC nations have received at least $50... lion in revenue, perhaps $40... lion of which was spent on go... services and military expansion ... marily supplied by industrial nations.

Again, the very dimensions of the amount of OPEC money ... in the United States and other nations give the oil exporters lev... into the affairs of other nations, including — eventually — the S... Union.

Economic analysts of the Central Intelligence Agency told a Congressional committee last month ... the Soviet oil industry, currently ... net exporter of a million barrels a day to Eastern and Western Europe, has peaked and is starting to fall off.

The net result, they testified, ... that in the face of increased ... demand and resources, by ... Moscow will be forced to ... 700,000 barrels of crude a day ... there is only one place to obtain it — the Middle East. Thus the Soviet Union will be in direct competition for supplies with the other industrialized nations and this head-to-... aspect can only drive prices higher.

It is impossible to state ... this new potential for use of ... an energy and financial weapon ... lead. In August, the CIA, ... its National Foreign Assessment Center, issued an 80-page re... paper entitled, "The World ... Market in the Years Ahead."

After factoring tens of thousands of pieces of data in scores of ... and graphs, the paper conclud... dealing with the issue of fu... supplies: "No matter how ... events of 1979 sort themselves ... the outlook for oil supplies ov... next few years is poor. To... supplies available to the Weste... dustrial countries are unlikely ... crease significantly and ma... fall."

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Squawk! The Pecking Order on Wall Street Comes Undone

By Gary Putka

NEW YORK — Wall Street brokerage houses are rather like ...se. In teaming up to sell new ...erings of securities, they align ...mselves, in the perfect formation ... their somber "tombstone" ads, ...h the biggest and strongest tak... the lead and distributing the ...aps to the firms further back in ... flock. It's a generations-old sys...n that has always worked, but of ...e, the pecking order has fallen ...o disarray.

Bracket

At stake is one of the most lucra... businesses around — the fees ... commissions the firms collect ... agreeing to take a company's ...urities and sell them to the pub... About $31 billion worth of secu...es are annually marketed this ...y, and the "favorite five" — Mor... Stanley, Salomon Brothers, ...rrill Lynch, Goldman Sachs and ...st Boston — have been getting ...lion's share.

The conflict is called a bracketing ...r, particularly in equity offerings. ...e hierarchy of firms in a "syndi...e" of sellers is normally led by a ...nager — the top firm in a deal. ... carefully delineated in the ad...tisements announcing an offer... the manager is followed by the ...t-best, "major-bracket" firms, ...ed in alphabetical order. Below ...m are the "out-of-order majors," ... "sub-majors," the "mezzanine" ... still other groups.

Acid Test

To the average individual inves..., the bracketing war has some ...oretical importance because the ...come may determine what secur... issue he is offered.

...ome of the leading firms are ...y trying to super-impose a new second layer, whose members often include the other four of the favorite five. Merrill Lynch was the first to do it last summer. With a $47 million offering of Nicor Inc. stock, it established a special bracket listing the other four.

Goldman soon followed with a $58 million issue of shares in the Southland Corporation, again conferring special rank on the other four. By the time Morgan Stanley fnllowed suit with $86 million worth of Northern Telecom, a full-blown bracketing war had erupted.

All that has riled some other big firms that have been excluded and are becoming more aggressive about originating their own underwritings. "We struggled for a long time to be a major-bracket firm, and we are not about to see ourselves put down to something lower," said Sanford Weill, chief executive officer of Shearson Hayden Stone, which has rejected invitations to most of the special-bracket deals.

Syndicate

Ironically, Shearson was elevated to the major bracket on the strength of recognition from Morgan Stanley only weeks before the controversy broke out over Nicor. Subsequently, when Morgan's Telecom issue was greeted with widespread declinations, Mr. Weill agreed to participate out of a sense of reciprocation. Bnt he vows continued opposition to the new stratification because "we can distribute equity issues as well as anybody in the country and we should not have lesser participation."

Most steadfast in their resistance have been retail-oriented wire houses with national sales networks. Besides Shearson, these include Dean Witter Reynolds, E.F. Hutton, Smith Barney Harris Upham and the soon-to-be merged Paine Webber and Blyth Eastman Dillon.

They have been less consistently by old-line partnerships and others: Lehman Brothers Kuhn Loeb, Dillon Read, Lazard Freres, Kidder Peabody and Bache Halsey Stuart Shields.

Commission

The dispute has boiled over now, industry observers believe, because of the successful efforts of the retail-oriented houses in underwritings. As their successes have mounted, this argument goes, the leading five have felt the need to reassert themselves.

Typical of their trend is E.F. Hutton. Five years ago, it relied on syndicate allotments from traditional managers for 80 percent of its corporate finance revenues. That figure stands at 50 percent today, as the firm has managed more deals of its own and relies less on the favors of others.

The top five "are feeling the hot breath of competition," said Richard O. Scribner, senior vice president of the Securities Industry Association. "People snicker at the tombstones and where you appear, but that's not all there is to it. It's a question of whether or not firm XYZ is a leader in the underwriting business, and how much it will take down [receive for distribution] in an offering."

Rates

Thus, those firms turning down deals insist their battle is not one of ego, but of who gets what in the profit sweepstakes. Acceptance of second billing would be tantamount to admitting inferiority in the contest to wrest clients from the leaders.

Joseph Quigley, financial vice president of Houston-based Nicor, said his phone "was ringing off the hook" with calls from declining major-bracket firms when Merrill Lynch announced the structure of the syndication.

"On some of these deals, where the managers have lost eight or 10 firms," said Carl Doerge, the syndicate manager at Smith Barney, "they've also lost 15,000 to 18,000 salesmen. It's hard for anyone to justify how that's in the best interest of their clients."

'For many in the boardrooms of lower Manhattan, the brokerage scrap could not come at a worse time. It coincides with an unkind market for new issues and an uncomfortable dissection of the complex distribution process in Washington.'

Smith Barney has stressed to affected corporations the loss of support their shares lose in the aftermarket — the day-to-day exchange trading in which price can depend on how actively the nation's brokers are recommending an issue.

A sales force is more likely to talk up a stock it has recently syndicated, Mr. Doerge said, so that issuers "cannot afford a cavalier attitude if they lose the full support of a firm now or later."

The unwitting corporate issuers have been surprised frequently by the vehemence and number of major dropouts. "It was not something we asked for," said Harry Underwood, vice president and treasurer of Best Products, whose $21 million offering in September lost the support of a dozen leading firms.

Best Products finally accepted manager Goldman Sachs's advice to include a special bracket, fearing that declinations by those ultimately included in the top bracket if it did not.

"There was not a lot we could do to get the firms we would have liked to participate," Mr. Underwood said. "The last time we had an equity issue was five years ago, and only those corporations who come repeatedly to the market can exert influence over the broker-dealers."

Morgan Stanley's strategy varied in promulgating a special bracket in Northern Telecom. It simply did not invite most of the firms in the major bracket, and five that it did ask along dropped out.

Morgan's syndicate manager, Thomas Saunders, said afterward in the trade press that assertions that "you gotta have" everyone were "garbage." But R.A. Ferschat, Telecom's treasurer, said he "might have done it differently if I had realized the ramifications ahead of time." Mr. Ferschat, Mr. Underwood and Mr. Quigley rated their offerings exceptional successes.

Why have the top investment banks opted for more than exclusive bracketing?

According to Goldman Sachs's senior partner, John Whitehead, several recent additions to the major bracket "made everyone realize that there is a pretty wide spread between the abilities of the biggest and the smallest of the majors," thus making an even distribution of stock inequitable. "We find that if we can offer two or three times the amount of stock to our underwriters we get more work out of them," he said.

"The day of the traditional syndicate is over," Mr. Whitehead says. He insists that Goldman is acting in concert with nn one, but acknowledges that Merrill Lynch's success with Nicor encouraged "experimentation" at his firm.

When declinations piled up on the Best and Southland issues, more stock went to regional broker-dealers who typically take a back seat to New York wire houses. "They greeted it happily," he said. "Their competitors were out of the offering."

For many in the boardrooms of lower Manhattan, the brokerage scrap could not come at a worse time. It coincides with an unkind market for new issues and an uncomfortable dissection of the complex distribution process in Washington.

The Securities and Exchange Commission is holding hearings on rules aimed at eliminating hidden discounts granted by underwriting syndicates to cash-powerful institutional investors. If Wall Street cannot demonstrate that the system is fair, the fear is that the SEC will outlaw price fixing in new issues, which the industry had resisted with rare solidarity until its recent strife.

"What you see is some of the strongest firms on the Street being discriminated against, and I don't think they relish it," said the chairman of Paine Webber, James W. Davant. If "rubber-stamp" special bracketing is not abandoned, Mr. Davant predicted, "I could see a number of firms going the other way and supporting an unfixed system."

Paine Webber was host to a meeting on the bracketing dispute, a session reportedly attended by many top executives of the disenchanted firms. Mr. Davant declined comment, however, and the president of another leading investment bank pronounced the subject so sensitive in its anticompetitive implications, "I wouldn't discuss it in a car pool."

The parley produced talk on the Street of a new bidding group that would vie for the management of competitive offerings with groups clustered around the favorite five.

But the acid tests of the bracketing wars are the issues themselves. Thus far, offerings with a layer of privileged distributors have sold out with anything but distress. But the first disaster, according to the rebel camp, could bring down the entire practice, with the manager vulnerable to charges that selling power was lost with the dropouts.

But there has been little solidarity among resisters, and they face the practical consideration of how much business they can prudently turn down. Millions of dollars in revenue have been lost to them already.

Some industry analysts have already decided that with market conditions making underwritings scarce, the smart money is on the favorite five.

Smart Money

"It's a classic confrontation between producer and distributor," said the senior vice-president of a retail house. "Right now the Street has an abundance of distribution capacity and very little origination of product. Who do you think has the upper hand?"

Yet, Shearson, Smith Barney, Hutton and Dean Witter rejected invitatinns to Merrill Lynch's Hughes Tool offering because of a special bracket earlier this month. And right now, there's not much disagreement with Mr. Weill that "it's not a ball game that's been won."

'Liability Management'

(Continued from Page 7S)

...o are willing to purchase them ... later sale or who are able to ...ch a broad array of potential ...estors quickly. When banks is...d CDs into the secondary mar... in this way, the distinction be...en the primary (new-issue) and ...ondary (dealer) market becomes ...her blurred.

Penn Crisis

On Friday, June 19, 1970, efforts ... induce the United States govern...nt to grant emergency credits to ... Penn Central Transportation ...mpany collapsed. Two days lat... on Sunday, June 21, Penn Cen... filed its bankruptcy petition. ...e railroad then had in excess of ...) million of commercial paper ...standing, and the prospect of ...minent default on this paper gen...ted fears of a general liquidity ...sis. For this reason, on Tuesday, ...e 23, the Federal Reserve took a ...iety of supportive actions, ...ong which was suspension of the ...ulation ceiling rate on CDs ma...ing to in 30 to 89 days. The ef...t was to allow banks to reenter ... short-term CD market, which ...y did with great alacrity. The ...ssive acquisition for funds ...ough new issues of CDs was cru...l to banks' efforts to meet the fi...cial needs of business. Many ...ns were unable to issue commer...l paper outstanding promptly ...tracted by about $3 billion.

Restoration of banks' access to ... CD market also reduced their ...d to sell loans to affiliates and to ...e funds indirectly through com...rcial paper. Accordingly, loan ...s declined slightly in August, ... they began to fall sharply after ...tember, when reserve require...nts were placed on bank-related ...mmercial paper used to fund ...k lending. By the end of 1970, ...standings of loans sold amount... to nnly $2.7 billion, well below ... peak of $8.1 billion.

...s banks resumed isusing CDs, ... average maturity of outstand...s declined rapidly from the all...e high of more than four months ... early 1970 to a more normal ...ge of about about three months. ... addition, the secondary market ...overed almost immediately, and ...ly average transactions and deal...positions soon attained levels far ...eeding all previous ones. A sig...cant longer-term effect was the ...ticipants in the financial mar...s assumed that the suspension of ...ulation Q ceilings on the shortest ...urities meant that the Federal ...erve would no longer employ ...d ceilings on CD rates as a tool ...uantitative credit control.

...fter the regulation Q ceiling on ...rt-term CDs was suspended, de...its at foreign branches were 2 to ...ercentage points more expensive ...n domestic CDs. Thus, it was no ...ger attractive to maintain exist... levels of Eurodollar borrowings. ... banks began to pay them down ...idly. The Federal Reserve board ...ed the reserve requirement ap...ng to net borrowings from for...n branches to 20 percent in Janu... 1971. In addition, it announced ... if a bank defining its reserve-... base of Eurodollar borrowings ... percent of deposits reduced its ...owings below the reserve-free ...l, its base would be reduced ac...dingly. The intention was that the threat of higher reserve requirements on future borrowings would stimulate banks to maintain their current borrowings, thus counteracting the abrupt turnaround in international capital flows resulting from the reduction of borrowings from foreign branches. However, the inducement offered was evidently inadequate, since banks continued to repay them.

Credit demand began to revive in 1972, particularly demand for bank loans. Business loans increased rapidly during late 1972 and early 1973, in part because the prime rate was being held to a relatively low level under the influence of the Committee on interest and dividends in line with the price and wage control apparatus then in force. The market's earlier assumption that, after the 1969-70 credit crunch, ceilings on CDs were no longer to be used as instruments of monetary policy turned out to be right. Had the ceiling on longer-term CDs not been removed, the average maturity of CDs would have declined — an outcome that the authorities wished to avoid. As a result of their continued access to the CD market in 1973-4, banks were able — for the first time in the postwar period — to maintain their share in total credit flows to non-financial sectors during a period of monetary restraint.

Boom

In June 1973, the Federal Reserve attempted to slow the rapid rate of expansion of bank credit by introducing a marginal reserve requirement on CDs similar to the one applied earlier to Eurodollar borrowings. The existing 5 percent reserve requirements on a bank's base of CDs (defined as the amount of CDs outstanding on May 16, 1973) was continued. For CDs in excess of this base amount, the marginal reserve requirement was increased to 8 percent by addition of a supplementary reserve requirement of 3 percent. At the same time, the authorities reduced the reserve requirement on Eurodollar borrowings by head offices of United STates banks to 8 percent and announced a gradual elimination of the reserve-free base. This put reserve requirements for CDs and Eurodollars on a roughly equal basis. In September 1973, the Federal Reserve attempted to counteract expectations of an imminent easing of monetary reserve requirement on CDs to 11 percent beginning October 4. The new reserve requirement, whatever its effect on market expectations, had little obvious effect on banks' utilization of CDs; for the volume of outstandings continued to increase. When strains on the credit markets temporarily eased in December 1973, the marginal reserve requirement was reduced to 8 percent again.

In September 1974, shortly after money market rates began to decline from their record highs, the authorities restructured CD reserve requirements by removing the 3 percent supplementary reserve requirement for CDs with an original maturity of four months or more. Thus, CDs in excess of the base amount that had an original 8 percent reserve requirment, while longer-term CDs became subject to a reserve requirement of only 5 percent. This was the first time reserve requirements had been related to the maturity of CDs. The Federal Resevre wanted to induce banks to lengthen the average maturity of their CDs — by nmow reduced to an all-time low of slightly more than two months — by lowering somewhat the effective cost to banks of longer-term CDs.

CDs resemble other short-term money market instruments such as Treasury bills and bankers' acceptances in that they may be traded in a secondary market. The existence of such a market enhances their liquidity and makes them attractive relative to both non-negotiable instruments and negotiables instruments having poorly developed secondary markets. However, the secondary market rate generally exceeds the interest rate at which CDs are originally issued. The reason is that the CDs available in the secondary market may not match the maturities or be issued by the banks' desired by investors, and investors have the option of buying CDs of any desired maturity of at least 30 days from proffered issuing banks. As a result, yields in the secondary market must often be increased relative to primary yields to induce investors to purchase them.

Generally, the spread between rates bid and asked in the secondary market averages about 10 basis points for maturities in the three- to six-month range and is somewhat greater for shorter maturities. These spreads, however, are representative only for CDs of the top 12 to 15 banks whose certificates are traded regularly by the handful of dealers who maintain markets in CDs, bid-asked spreads for CDs issued by banks whose CDs are less frequently traded are naturally somewhat wider.

In addition to issuing CDs in the domestic market, United States banks with foreign branches have the ability to secure time depotis from holders of offshore dollar balances — Eurodollars. Funds deposited in branches can then be relent by them to their United States head offices or lent abroad. Like the CD market, the Eurodollar market is a wholesale market in which the average denomination of deposits is quite large. A further similarity between the Eurodollar and CD markets is that some London branches of United States banks issue London dollar CDs (i.e. dollar-denominated CDs redeemable only at the London branch of the issuing bank), which trade in a secondary market much as domestic CDs do. Since large banks have the option of selling CDs or similar liabilities in either the United States' domestic money market or in the Eurodollar market, they change their relative reliance on the two markets according to where effective costs are lowest.

Beginnings

The negotiable CD came into prominence only 17 years ago. The conditions that fostered a large market for CDs were the gradual rising trend of interest rates during the 1950s and 1960s as well as the related development of sophisticated money management techniques by corporate treasures. Since banks were prohibited from paying interest on demand deposits, and since most were unwilling to pay interest on corporate time deposits, corpo-

(Continued on Page 12S)

Euromarkets

'Liability Management' Accepted by U.S. Banks

(Continued from Page 11S)

rate treasurers actively began to use their temporarily investable balances to purchase short-term money market instruments. This investment strategy inhibited the growth of corporate deposits at large money market banks.

In addition, the unavailability to banks of a flexible instrument with which to augment their conventional deposit sources meant that, in periods of monetary restraint, the share of bank credit in total credit flows to nonfinancial secots (business, state and local governments, housing, and consumers) declined.

State of Affairs

Responding to this state of affairs, the First National City Bank of New York (now Citibank) began to offer CDs to domestic business corporations. Public bodies, and foreign investors in February 1961. The primary objectives were to increase corporate deposits and to allow banks greater discretion over their sources of funds, so that in a period of rising loan demand and increasing interest rates they could accommodate increases in short-term credit demands by expanding their CDs. Otherwise, they would have to turn down profitable loan applications or sell some of their investments, possibly at a substantial loss. The ability of banks to "buy" funds by paying market rates of interest added greatly to their flexibility and was the key element in their ability to shift to liability management.

CDs had existed in negotiable form for years prior to 1961. but they could not become an important source of funds for banks until they could compete with other short-term money market instruments. To do so, they had to be readily marketable and to pay a market rate of return. The crucial innovation in February 1961 was the secondary market for large negotiable CDs (provided initially by the Discount Corp. of New York, a dealer in U.S. government securities). The secondary market made CDs a truly liquid money market instrument by establishing a means through which an investor could sell his holdings quickly and *at low cost prior* to *maturity*. *Other* large banks promptly began to issue CDs, and other dealers soon entered the secondary CD market.

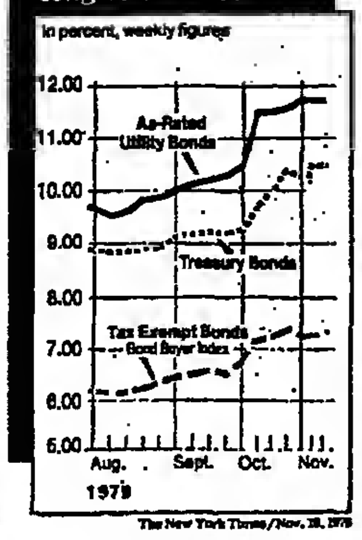
The expansion of CDs in the early 1960s was rapid and steady. The smooth and impressive growth of outstandings from February 1961 through the middle of 1966 reflected increasing acceptance of this new money market instrument. However, the CD rates which member banks — virtually the only banks issuing CDs — could pay were subject to the interest ceilings of the Federal Reserve's regulation Q. The 1 percent ceiling rate on time deposits of less than three months' maturity prevented CDs in this range from being issued.

Moreover, the market for long term CDs was affected in late 1961, when three-month treasury bill rates edged upward and exceeded the 2½ percent ceiling rate in effect for three to six-month CDs. At that point, only CDs of six-month or longer maturities on which the ceiling rate was 3 percent could be sold by banks, and these also became difficult to sell as the six-month treasury bill rate approached 3 percent.

At the beginning of 1962, the Federal Reserve raised the ceiling rate for CDs of six- to 12-month or *greater maturity* to 4 percent. As a result of this change, banks were able once more to market CDs in the longer maturity range but were effectively prevented from issuing shorter maturities. A year and a half later, in July 1963, ceiling rates for CD maturities of three months and longer were fixed at 4 percent.

Meanwhile, the ceiling rates on long- and short-term CDs allowed dealers and corporations to buy long-term CDs, to hold them until only a short term to maturity remained, and then to sell them in the secondary market without fear of being undercut by banks offering competitive rates on newly issued short-term CDs. In addition, since long-term CD rates generally exceeded short-term CD rates, while both remained relatively stable, dealers profited during the first half of the 1960s by buying long-term CDs, holding them in inventory, and then selling them as short-term CDs. As long as rates were stable, this investment strategy — called "riding the yield curve" — increased their total interest return by an amount depending on the spread of the long-term CD rate over the short-term CD rate.

Long-Term Rates



The New York Times/Nov. 18, 1979

Artificially Low

The artificially low regulation Q ceiling on short-term CDs remained in effect until November 1964, when the maximum rate on CDs of 30- to 89-day maturities was raised to 4 percent, and the rate on longer term CDs was raised to 4½ percent. This change allowed banks to make competitive rate offers on CDs in the 30- to 89-day range for the first time. It thus put an end to the artificial stimulus to the growth of the secondary market. From the end of 1963 to the middle of 1966, the value of CDs outstanding nearly doubled, reaching $17.8 billion, while the daily average of gross dealer transactions changed little and remained at a modest level.

In response to rising interest rates, the existing regulation Q ceiling rates were raised to a uniform 5½ percent for all CD maturities in December 1965 in order to prevent banks from encountering difficulty when renewing (rolling over) their existing CDs. However, other market rates soon exceeded the new ceiling, and the CD market reacted immediately. Issuance of CDs and outstandings started to fall.

Rates on CDs with longer maturities ran up against the ceiling in about the middle of 1966. Consequently, new issues of such maturity of outstanding CDs began a sharp decline. The runoff of CDs from August to December 1966 reached a sizable $2.9 billion, a decrease of about 16 percent from the August level. In the five years since the introduction of negotiable CDs, banks had never undergone a comparable experience.

Significant Effects

The effects were *also significant* in the secondary market, where a rapid rise in rates — to which regulation Q, of course, did not apply — resulted in considerable book losses for holders of outstanding CDs. Investors reacted by cutting back purchases of new CDs and holding to *maturity the* CDs already in the portfolios. Thus market transactions as well as dealer positions were greatly reduced. Gross transactions in the secondary market declined to a level even lower than that observed in 1963, when data first began to be collected.

The pressures in *the* CD *market* caused by regulation Q ceilings abated in December 1966, when interest rates started to decline rapidly. Pressures resumed in 1967 as rates on longer maturities again rose to the ceiling rate and made the average maturity of outstandings contract sharply. Early in 1968, when other market rates declined and the regulation Q ceiling for longer term CDs was raised to 6¼ percent, pressures on the CD market were relieved once more.

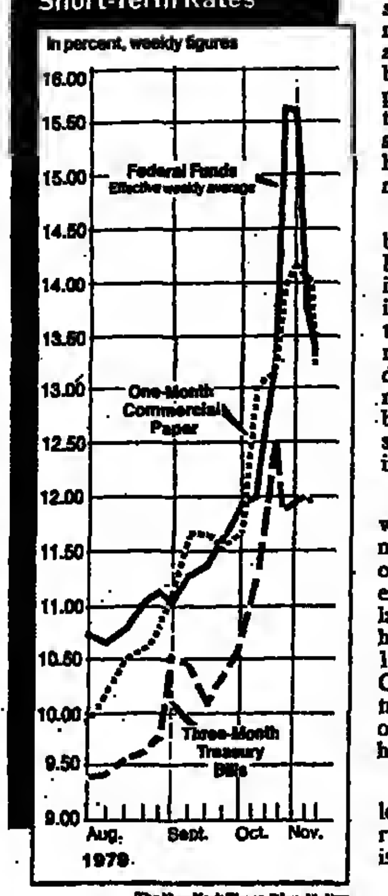
During the 1966 "credit crunch," banks found that CDs were a potentially unreliable source of UNDs. In reaction, some large banks began to develop alternative sources of funds, particularly Eurodollars, on which rates were not subject to regulation. A few U.S. banks had used Eurodollars prior to 1966, but in that year gross borrowings from foreign branches rose to about $2 billion for the first time. It was also in the same year that the London dollar CD was introduced by the London branch of Citibank. The establishment of facilities for tapping the Eurodollar market during the 1966 credit crunch proved to be important during the 1969-70 crunch, when banks faced an even greater runoff of CDs.

In much of the postwar period, regulation Q interest rate ceilings for member banks were set below the rates that thrift institutions specializing in housing finance were paying. In this way, cross-intermediation, — i.e. the shift of deposits from thrift institutions to commercial banks — was prevented. It was widely thought that preventing such a shift would encourage home building.

The increase in time deposit rates paid by commercial banks after the December 1965 adjustment of regulation Q ceiling rates appeared to observers to have contributed to outflows of deposits from thrift institutions in 1966. Accordingly, the monetary authorities requested, and the Congress promptly passed, legislation permitting different ceiling rates for time and savings deposits by thrift institutions.

In September 1966, the ceiling rate of commercial bank time deposits smaller than $100,000 was reduced to 5 percent, while the ceiling rates for savings deposits and large negotiable CDs were left unchang[ed] at 4 percent and 5½ percent, respe[c]tively. Although these actions m[ay] have reduced the threat of cross-i[n]termediation, later events sho[wed] that rigid reliance on interest [rate] ceilings made both commerci[al] banks and thrift institutions m[ore] susceptible to serious disintermedi[ation] — i.e. the withdrawal of ti[me] and savings deposits to purch[ase] higher yielding money market i[n]struments. according to maturit[y]. However despite the change in t[he] ceilings, rates on new issues of CD[s] with shorter maturities were uncom[]petitive throughout most of 196[8] and toward the end of that year t[he] same happened to longer term CD[s].

Short-Term Rates



The New York Times/Nov. 18, 1979

In 1969, as monetary policy at[]tempted to dampen inflationa[ry] pressures, market rates rose rapid[ly] to the vicinity of 8 percent, whi[ch] far exceeded regulation Q rates. Th[e] ceilings were left unchanged, for th[e] monetary authorities hoped that a [re]striction of bank *access to the* C[D] market would both reduce the ove[r]all expansion of credit and ca[use] banks to reduce the rate of their e[x]pansion of credit to business, an[d] thereby to lessen the financi[al] squeeze on other sectors, such a[s] housing and state and local govern[]ments.

Consequently, between Dece[m]ber 1968 and December 19[69] banks were buffeted by the larg[e] involuntary runoff of CDs eve[n] investors sought more attractive [re]turns available on other mon[ey] market instruments. Outstanding[s] declined by $12.6 billion, a loss [of] more than 50 percent, from Dece[m]ber 1968. Thereafter, outstandin[gs] stabilized at a depressed level du[r]ing the first half of 1970.

The CD runoff during 1969 would have been even larger h[ad] not banks begun to take advanta[ge] of the exemption of deposits of fo[r]eign official institutions from reg[u]lation Q ceilings. During the seco[nd] half of 1969 and the first quarter [of] 1970, banks were able to incre[ase] CDs issued to foreign official ins[ti]tutions by about $2 billion, whi[ch] offset some of the decline of CD[s] held by other investors.

The composition as well as [the] level of CDs was affected by [the] runoff. With the severe fall in n[ew] issues of CDs, the average matu[rity]

(Continued on Page 15S)

Euromarkets

Inflation's Distasteful Antidote

By Geoffrey H. Moore

EW YORK — Over and over again lately, the refrain is d: A recession won't cure infla- It is a theme with variations. me say it would take a disas- s depression to have any effect flation — and who wants that? rs say a slowdown might have effect, but only if it lasted five years. Still others take a "posi- view: The only way to stop in- on is with wage and price con- . Once in a while there is an al to "history": Since the infla- rate kept right on rising during last recession, which was the since the 1930s, what can an- r recession be expected to do?

e record of recessions and in- on does not support any of refrains. It does support this ment: No significant decline in rate of inflation has occurred was not associated with a slow- n or recession, and virtually y slowdown or recession has accompanied by a reduction in ate of inflation.

e statement holds not only for United States, but also for Brit- West Germany and Japan (see). Taking all four countries to- r, there have been 27 instances lowdown or recession in eco- ic growth since 1950, and 26 in- ces of significant declines in in- on rates. There is virtually a to-one correspondence between slowdowns or recessions and the nes in the rate of inflation.

Nothing Else

view of this record, it seems to easonable to expect that anoth- cession will be accompanied by her significant decline in the in- on rate: When something has ened 26 times, it's quite likely ppen again. It also seems rea- ble to assume — since the four tries have tried almost every- — that nothing else will do it.

is is not to say, however, that a sion will "cure" inflation, that ting the rate down to zero. recessions have done this, but y have not. Nor is it to say that nflation rate will start moving as soon as a recession starts. me cases the inflation rate has d, and not started down until a sion was well under way or in- almost over. In other in- ces, however, it has not lagged.

As a matter of fact, again taking the record for all four countries as a whole, downturns in the rate of inflation have started at just about the same time, on the average, as downturns in the economy.

To understand this, look at some of the factors at work. In a recession, businesses try to cut costs, and are often successful. They are forced to shave profit margins and give discounts to get rid of heavy inventories. The cost of holding even a normal inventory — in terms of interest charges — is likely to prove excessive. Some businesses fail and sell out for what they can get. Overtime work is cut back or eliminated, which not only reduces costs but reduces the incomes of workers who have been earning the higher overtime rates. Layoffs occur, wage increases are deferred, and the uncertainty about jobs and earnings makes people cautious about spending for frills, postpone big ticket purchases, seek ways to economize, borrow less. Construction projects are postponed, delayed, or stretched out. Banks take a hard look at new loans, and may urge repayment instead of refinancing of existing loans.

Inflation Dips

All these factors make it more difficult to raise prices and more difficult to get wage increases. More prices remain steady and some fall. The price indexes go up less rapidly; that is, the rate of inflation declines.

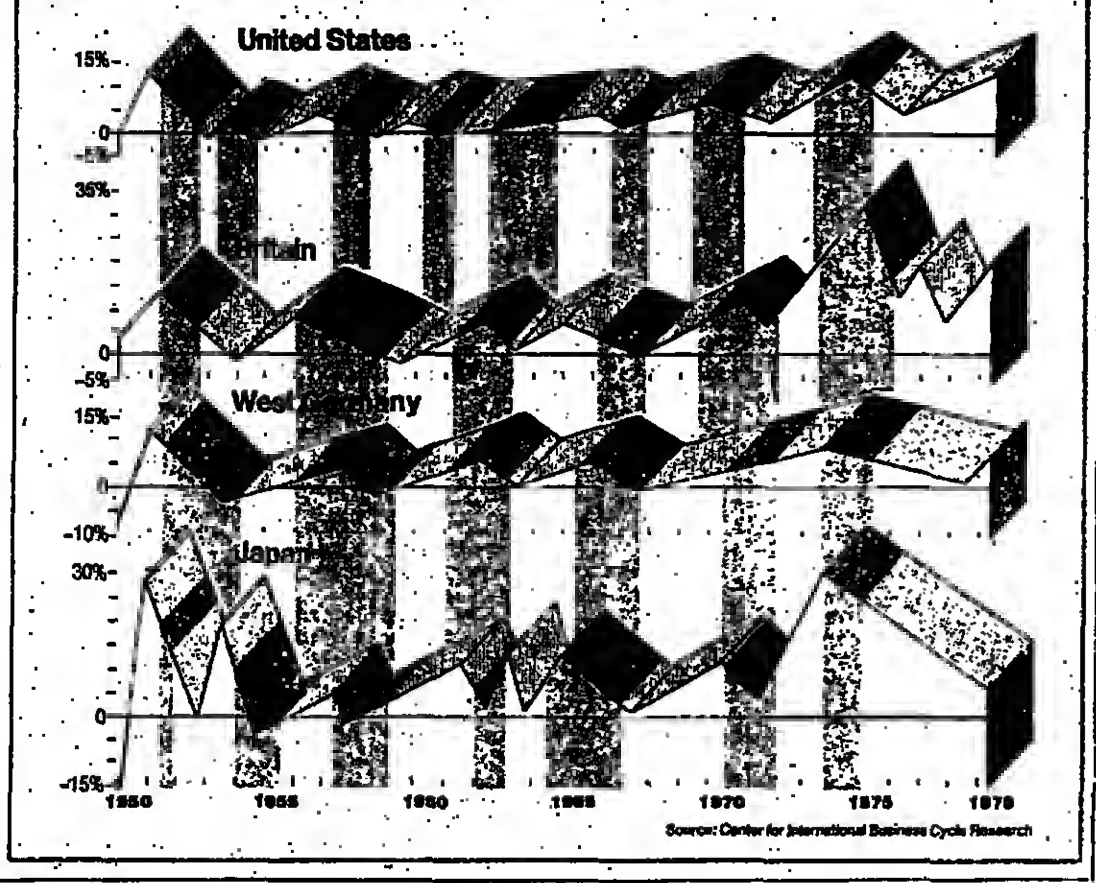
This process usually begins in one or more lines of business before recession strikes the economy as a whole. If the influence of these sectors on the price level is significant enough, the overall rate of inflation may decline before the onset of recession. If not, there will be a lag.

The effects of recession on inflation show up at the grocery store, at the haberdashery, at the auto dealer's. Look for markdowns and discounts. Some of this price cutting, like the coupons in newspaper ads, doesn't get into the statistics. The coupons are a form of paper money, and their supply is apt to increase in a recession. Unlike real paper money, however, they reduce inflation.

Geoffrey H. Moore is director of the Center for International Business Cycle Research of Rutgers University. He wrote this article for The New York Times.

Recession and Inflation: Evidence from Four Countries

Rate of change in consumer price index, shaded areas indicate a recession



Source: Center for International Business Cycle Research

Euromarkets

An Array of Debt Instruments

(Continued from Page 7S)

frns are usually issued in small denominations of $1,000, which is suitable for the small investor.

When the yield curve is inverse, as it is today with interest rates sloping down as the maturity lengthens, frns should be attractive to investors because their coupon rates vary with short-term rates.

One possible concern is that when short-term interest rates fall, the price of those frns would drop, an unlikely event because of the aggressive presence of banks which buy frns as liquid substitutes to floating-rate loans. In addition, the transaction costs charged by banks for switching into fixed-rate bonds is high. This is why Eurobankers have developed conversion features. The two main types are:

1) automatic conversion: the paper is a floater but at any time, the investor can convert into a fixed-rate bond, offering a coupon already attractive at the time of issue. This is good for the investor but burdensome for the borrower.

(2) drop locks: a floater which is automatically converted into a fixed rate bond when short-term or long-term rates drop below a certain level. This is better for the borrower bot not necessarily fair to the investor.

If the floater locks on the basis of short-term rates, then the investor may find that the coupon rate is fixed at a level below those of comparable fixed-rate issues. Hence the price of his drop lock issue would decline to bring the yield back in line with market conditions. Conversely, if the drop lock is triggered on the basis on long-term rates, an investor could receive low coupon payments on the assumption that short-term interest rates decline substantially before long-term rates do.

The market has so far not been too enthusiastic about drop locks and, in general, most private investors still dislike floaters.

Floating rate cd's (up to 3 or 5 years, coupon of 1⅓ to 1½ above 3- or 6-month Libor) have been designed for institutional investors (big denominations, no listing) seeking liquidity and good returns.

So far the largest amounts of frn's and cd's are being bought by banks. They are also issued by banks which use them to improve their ratios of long-term loans to long-term funds.

One peculiarity is that banks make loans on a floating rate basis to borrowers who would prefer fixed rates, then finance these loans by issuing floating rate notes and trying to sell them to investors who would prefer fixed-rate bonds. The deutsche mark is becoming the main currency of the international capital markets. German authorities have discouraged the sale of domestic bonds abroad by imposing a withholding tax (the "kuponsteuer") on coupons cashed by non-residents.

The dm market offers foreign bonds with a "Euro-flavor." These bonds are issued by oon-German borrowers and are aimed at international investors who do not pay withholding taxes oo them. Yet they are usually listed on German stock exchanges and issued by German-dominated international syndicates.

"The trend is undoubtedly upward," said an official at the Organization of Economic Cooperation and Development. The prospects for a continuation of this trend, he added, were reinforced with the recent announcement by Iran that it might increase its spot market sales of crude oil in lieu of sales to U.S. companies.'

These bonds are straight or convertible bonds. Straight bonds (of aaa quality) offer yields close to domestic yields but usually lower, since their return is oet. Convertible dm bonds offer lower yields, but often represent a good way to speculate on a volatile currency and/or stock exchange price of the borrower. They provide good downwards protection, since the bonds are repaid at 100 percent in dm at maturity. Foreign bonds are in denominations of 1,000 deutsche marks.

Institutions and big private investors tend more and more to shift their holdings from dm eurobonds to "schuldscheine." The latter is not a bond, but rather a nominative certificate, representing a loan made to the borrower who is usually a German institution (landesbank, post office). They are not subject to the *kuponsteuer*. They are available from 100,000 dm upward. Given the transfer costs, they become really attractive for amounts of at least dm 500,000 dm. Maturities are from 1 to 10 years. Their yields are based on the domestic markets. Their nature makes them more difficult to transfer and thus they are slightly less liquid than Eurobonds. Being domestic instruments, they are much less volatile than foreign bonds whose prices and liquidity depend very much on whether the dm is more or less in fashion internationally.

When foreign bonds carry much lower yields than domestic paper, institutioos conceentrate on *schuldscheine*.

Banned

Cd's and floating rate instruments in dm are banned by the Bundesbank.

The Euro-dm deposit market (mainly based in Luxembourg) offers possibilities to make short-term investments at rates close to domestic rates.

For Euro-dm bonds as well as for Eurodeposits, the interest rates tend to be slightly below domestic rates. Often the rest of the world is speculating on dm appreciation and the demand for dm assets is usually bigger than the demand for dm liabilities. The spread between Euro and domestic rates is a good indication of the amount of speculation on the dm.

The Swiss franc market is an important one. Domestic bonds are subject to tax but foreign bonds are not and offer better yields (3½ percent in general).

Public foreign bonds are very liquid, 10 to 12 years in maturity. They are issued by purely Swiss syndicates and sold freely to non-residents. However, restrictions are sometimes imposed when speculation on the sf is intense.

Private placements are done for 5 to 7 years maturity, in big denominations (50,000 sf) and are not transferable.

There are oo Euro-sf issues outstanding.

Foreign swiss franc convertible issues are done, mainly for Japanese companies these days, with little yield sacrifice compared to straight bonds. The Dutch guilder capital market is probably the most liberal in the world. Domestic bonds and foreign bonds are tax free, and foreign banks participate in the underwriting of foreign issues, even purely domestic issues. Maturities on the domestic market are rather long (10 to 15 years with average life between 5.5 and 10 years). Liquidity is very good. Yields on foreign bonds (usually for prime borrowers) is slightly better than on domestic bonds.

Mortgage letters (*pandbrieven*) issued by mortgage banks are high-yielding (1½ percent above bonds), prime quality and very liquid instruments. They are easily accessible to non-residents, tax free, and are becoming increasingly known internationally.

Eurobonds (called Euro-guilder notes) are issued in the form of private placements with maturities [illegible] to 7 years. Yields are usually [illegible] than on domestic paper. They [illegible] not be sold in the Netherl[illegible]. They are aimed at internati[illegible] investors looking for short[illegible] guilder assets. Liquidity is good [illegible] prices are volatile.

Volatile

The yen has become an im[illegible]ant international currency, but [illegible] volatility in the last two years [illegible] puzzled many investors.

Domestic bonds are subject [illegible] tax. Foreign bonds ("sam[illegible] bonds) are tax free for non[illegible]dents, and yields are close to [illegible]mestic yields. Liquidity is [illegible] good but the paper cannot be [illegible] out of Japan.

Euro-yen bonds have been is[illegible] from time to time. The pa[illegible] freely transferable, yields are [illegible] than on samarai bonds but liqu[illegible] is better. In yen, 11 aaa money [illegible]ket instruments are available [illegible] count bonds and cd's issued by [illegible]anese and international banks [illegible] net yields often higher than [illegible] yen deposit rates.

Domestic bonds in Belgium [illegible] a 20 percent withholding tax [illegible] residents and non-residents [illegible] Foreign bonds are issued occa[illegible]ally by international institu[illegible] tax free to non-residents. The [illegible] on these foreign bonds is clo[illegible] domestic yields.

In the Luxembourg capital [illegible]ket, domestic and foreign bonds [illegible] free of tax. Yields are slightly be[illegible] those of domestic and for[illegible] bonds in Belgium. Public issue[illegible] eight to 10 years in lf 50,000 [illegible]nominations. Private placem[illegible] are in lf 1 millioo denomina[illegible] with yields about 1¼ percent a[illegible] public issues.

In sterling, the domestic ma[illegible] offers excellent investment oppo[illegible]nities. Many of the governm[illegible] bonds are tax free to non-resid[illegible] who register them. The mark[illegible] deep and liquid. Maturities [illegible] from one to 25 years. To avoi[illegible]istration, non-residents can also [illegible] Euro-sterling bonds, but this [illegible] highly volatile market and liqu[illegible] is not too good. Yields are clo[illegible] domestic yields, above or below [illegible]pending on the sterling's trend.

Composites

In the French franc mark[illegible] mestic bonds are taxed. Euro[illegible] are issued regularly with [illegible] close to the domestic yields. [illegible]rowers are of prime quality an[illegible] quidity of the secondary mark[illegible] quite good. Maturities are from [illegible] 10 years. The bonds are issued [illegible] French-dominated internati[illegible] syndicates and marketed all [illegible] the world.

Eurobonds are regularly issu[illegible] artificial currencies. Since [illegible] currencies have fluctuated con[illegible]ably. One reason why investo[illegible] into international markets [illegible] cause they consider their own [illegible]rency not stable enough.

Bankers have tried to achieve [illegible]bility by creating composite cur[illegible]cies. Two main types have [illegible] used. The European unit of acco[illegible] which provides fixed but adapta[illegible] (at every official re- or devaluati[illegible]) parities with a group of curren[illegible] in the European monetary sys[illegible]. This represents a link with the [illegible]

(Continued on Page 16S)

The Market for Large, Negotiable U.S. Certificates of Deposit

Another recent innovation has the potential of altering somewhat the character of the market as well as lengthening maturities. It is the rollover CD introduced by Morgan Guaranty Trust in late 1976.

(Continued from Page 12S)

atstnadings actually rose sharp- the first half of 1970 as large unts of short-term CDs ma- without being rolled over. ause of the large proportion of -term CDs, a runoff increases average maturity of outstand-)

hile banks faced an unprec- ed trop in outstanding CDs, the ndary market virtually dried Average daily gross dealer sactions dropped to the lowest s since the inception of the tet and were practically zero ng the second half of 1969 and irst part of 1970.

ther modifications to the re- e requirements came in nber 1974. The marginal re- requirement for CDs was inated and reserve require- ts were set at 6 percent for CDs an original maturity of less six months and at 3 percent hose with an original maturity x months (180 days) or more. problem with such a structure reserve requirements is that s may find themselves able to ce their required reserves with stments of their CD maturities leave the average maturity of essentially unchanged. For ex- le, issues of six-month CDs — h have a low reserve require- t — might be increased while d of five-month CDs are re- d. This sort of change will re- d renqired reserves but will in- se maturity only very slightly.

is difficult to assess with preci- the effect of these new reserve irements on the maturity struc- of CDs. However, the timing of ges in the average maturity of sheds *some light* on the ques- The average maturity of CDs ally declined slightly following September revision and in- ed rapidly beginning in early. Since the December revision act weakened the incentive s had to lengthen CD maturi- The abrupt increase in the av- maturity in early 1975 seems arily attributable to the sharp ff of CDs which began at that

oreover, the actual changes in pread of the six-month CD rate the one-month rate were far er than could have been pro- d by the modifications to re- requirements. Simple calcula- show that, all-other things g equal, the change should have an increase of 25-30 basis ts in the spread of the six- h rate over the one-month However, the spread in- ed by about 125 basis points late 1974 to the end of 1975 then was in large part reversed he end of 1976. This roughly wed the pattern of changes in structure of interest rates in markets. The actual behavior he spreads thus suggest that et forces have a determining ence on the structure of inter- ates in the CD market, while nfluence of the differential re- requirements is difficult to te.

Multitier

ough the CD market un- ent a variety of shocks during 1973-74 boom, it performed well. Unlike earlier booms, regulation Q ceilings precipi- a runoff of CDs and a severe ing of the secondary market, 973-74 banks were generally to market their CDs successful- though they had to pay quite y interest rates — and no dis- ble transactions decline oc- d in the secondary market. The ipal change was the advent of ultitier" market, in which the paid by banks on CDs were ed according to investors' per- on of the riskiness of the issu- anks.

e collapse of the United States onal Bank of San Diego in Oc- 1973, followed by Herstatt in nany and the Franklin Nation- al Bank in New York in 1974, has significant ramifications. For the first time since the 1930s, the specter of possible failure of even major financial institutions arose, making investors more sensitive to relative risk in evaluating CDs issued by different banks. Accordingly, investors did demand noticeably higher rates on the CDs of banks viewed as less stable. Since the early years of the CD market, distinctions had typically existed between rates paid by banks then classified as prime and nonprime, but the multitier market introduced a rather more refined differentiation. For the most part, in the new tier structure, the larger banks pay lower rates.

Bank size affected rates paid on CDs in two ways. Liquidity considerations favored the CDs of the large money market banks, since the secondary market for them is the most developed. And banks that attempted to place issues of their CDs beyond the circle of regular customers who knew them well had to pay a premium. For both reasons, regional banks trying to tap new sources of funds with their CDs in 1974 generally had to pay higher rates than did large money market banks. In 1975, when public attention began to focus on the financial crisis in New York City, even some large New York City banks found their CDs being less favorably received by investors than before. That change in the structure of CD rate tiers has since moderated significantly.

The development of a tiered market in CDs may betoken the maturation of the CD as a money market instrument. The earlier, relatively crude differentiation betyween prime and nonprime CDs was a rather peculiar feature of the CD *market*. A refined structure of tiered borrowing rates has, for example, long been a standard feature of the bond and commercial paper markets. In reponse to the development of tiering in the CD market, some banks may very well have changed their approach to lending or investing funds obtained through CDs, thus giving more emphasis to asset managment relative to liability management. It is probably safe to conclude that banks are now far more conscious of the impact of their incremental CD exposire on their total cost of purchased funds than they were prior to 1974.

Another indication of the maturation of the CD market is that, as banks on the whole faced sluggish loan demand from the beginning of 1975 until relatively recently, they allowed their CDs to run down. At the same time, they restructured their balance sheets by expanding their investment portfolios considerably. This is the first time since 1961 that banks in the aggregate voluntarily reduced their CDs to any significant extent. Earlier contractions had occurred when market rates exceeded regulation Q ceilings. At other times, CDs were always growing, even when loan demand was sluggish. This altered behavior may mean that the rapid growth stage of CDs has ended. From now on CDs will probably expand and contract in step with the movements of loan demand.

Developments in borrowings of United States banks from their foreign branches were less dramatic during 1973-4 than in 1969. Such borrowings were subject to reserve requirements during 1973-74, and since Eurodollar rates typically exceeded CD rates, Eurodollars were generally a more expensive source of fund for United States banks than were CDs. Equally important, since the last remaining regulation Q ceiling on CD rates was suspended in May 1973, CDs remained available — though they were extremely expensive — even during the tightest money market conditions in 1973-74.

Under these circumstanees, banks relied very little on Eurodollars for domestic lending. In 1973, net borrowings from foreign branches remained in the neighborhood of $1.5 billion, far below the peak of over $15 billion in 1969. An unexpected tightening of the money market in early 1974 led to a rapid increase to about $3 billion, a level maintained through the summer. But a general weakening of demand for credit then became apparent, and starting in October net Eurodollar borrowings were rapidly repaid. Since February 1975, United States banks on balance have been net lenders to their foreign branches.

The lessons of the 17-year history of CDs primarily concern experience with the two means employed by the monetary authorities to influence the CD market: regulation Q interest rate ceilings and reserve requirements.

While regulation Q interest rate ceilings did restrict bank lending to business somewhat during the 1969-70 period, overall credit extended to business was affected much less. The rigidly maintained CD rate ceilings succeeded in preventing deposits from flowing from thrift institutions to commerical banks. But as a result, both suffered severe deposit losses which greatly increased uncertainty in domestic financial markets.

Further Evolution

The further evolution of the financial system since that time, and the increased ability of borrowers to secure funds from outside the banking system make it even more doubtful that regulation Q can be used constructively as a means of monetary control in the future.

As to the various forms of reserve requirements applied to CDs, there is little evidence that they have had any appreciable effect on the market. This holds true for the marginal reserve requirements that are differentiated according to original maturity. Given the increased use of term loans in bank lending to business, there is a presumption that banks should lengthen the maturities of their deposits so as to maintain something of a balance between the maturities of their assets and their babilities.

In fact, the average maturity of CDs has recently tended to vary directly with the cyclical increase in the proportion of term loans in the portfolios of large banks. But, judging by the timing of maturity changes, very little of this variation appears to be attributable to the lowering of reserve requirements for long-term CDs in September and *December 1974*. The balancing of asset and liability maturities thus appears to take place over the business cycle independently of changes in reserve requirements.

The most interesting developments in the CD market in the last few years have been the innovations introduced by banks to extend the *maturities of CDs*. During early 1975, the variable-rate CD was introduced. It has a minimum maturity of 360 days, and its interest rate, pegged at a specified spread over the issuing bank's current rate on 90-day CDs, is adjusted every 90 days. With such an instrument an investor can increase his total interest return over that obtainable by successively renewing short-term CDs without being committed to a fixed rate.

The attraction to the issuing bank is that on a cooventional (fixed-rate) CD of the same maturity, the reason is that the investor and the bank in *effect* split the risk premium included in the spread of the long-term conventional CD rate over the short-term CD rate. It is impossible to determine bow many variable-rate CDs have been sold. The amount cannot be very large, since demand for long-term CDs is restricted by the scarcity of long-*term investable funds* and the *relative* illiquidity of long-term CDs.

Another recent innovation has the potential of altering somewhat the character of the market as well as lengthening maturities. It is the rollover CD introduced by Morgan Guaranty Trust in late 1976. The Rollover CD was designed to overcome the limitation on a bank's ability to issue long-term CDs, due to six months being about the maximum maturity traded regularly in the secondary market. The Rollover CD attempts to deal with the problem by packaging a series of six-months CDs into a commitment to roll them over for a longer period of time, e.g. three years. Any one of the six-month CDs may bve sold in the secondary market if the investor needs liquidity but, if he does so, be is nevertheless committed to roll over the CD by redepositing equivalent funds at each maturity date.

The rollover CD allows long-term CDs to be structured so as to be able to take advantage of the existing secondary market. Still, it is not so liquid as a conventional six-month CD, since the investor cannot at present sell his rollover commitment in the secondary market and since the rate of interest is fixed for the entire term of the commitment. Even so, the innovation could enhance considerably the liquidity of long-term CDs.

A disadvantage to the issuing bank of the rollover CD, compared with a conventional long-term, single-maturity CD, is that the bank takes the risk, however small, that an investor may default on his future commitment to roll over the six-month. The additional risk may well limit the attractiveness of rollover CDs to banks until experience indicates that the risk is negligible or that it can be reduced to reasonable levels through careful management. The future of the rollover CD is still uncertain, and only a moderate amount has been sold by Morgan Guaranty.

As noted, it seems unlikely that these reserve requirements have had any significant effect on the average maturity of CDs, and they complicate considerably the calculation of banks' required reserves.

DEVELOPING COUNTRIES: MEDIUM- AND LONG-TERM DEBT OUTSTANDING AND DISBURSED AT YEAR-END, 1970-1990
(Billion current US dollars)

	1970	1977	1985	1990
To Private Creditors	32	155	438	771
Low Income Countries	2	10	16	19
Middle Income Countries	30	145	422	752
To Official Creditors, including Multilateral	37	104	302	507
Low Income Countries	15	39	108	183
Middle Income Countries	21	66	194	324
Total	68	258	740	1,278
Total at 1975 prices	113	231	348	449
Gross International Reserves	22	103	266	441
Low Income Countries	3	11	23	38
Middle Income Countries	19	92	243	404
Note:				
Reserves in Months of Import Coverage*	3.0	4.0	3.3	3.1

Note: Totals may not add due to rounding

* This measure expresses gross international reserves in terms of the number of months' imports they could pay for, with imports at the average level for the year in question.

Source: World Bank, World Development Report

TOP 35 LEAD BANKING GROUPS IN NUMBER OF EURO-LOANS SIGNED AND ANNOUNCED FROM JANUARY 1-NOVEMBER 9, 1979

	Group	Number of lead manager positions
1.	Chase Manhattan	71
2.	Citicorp	51
3.	Bank of America	47
4.	Bank of Montreal	37
5.	Lloyds Bank Group	37
6.	Credit Lyonnais	33
7.	Bank of Tokyo	27
8.	Long Term Credit Bank of Japan	27
9.	*Morgan Guaranty*	27
10.	NatWest	27
11.	Sumitomo Bank	24
12.	WestLB	21
13.	Bankers Trust	20
14.	Deutsche Bank	20
15.	Midland Bank	20
16.	Manufacturers Hanover	19
17.	Chemical Bank	18
18.	Industrial Bank of Japan	18
19.	Orion	17
20.	Royal Bank of Canada	17
21.	Libra Bank	16
22.	Hambros Bank	15
23.	Caisse National de Credit Agricole	14
24.	CCF	14
25.	Grindlays Bank	14
26.	Barclays Bank	13
27.	Mitsui Trust & Banking Corp	13
28.	DG Bank	12
29.	Commarzbank	12
30.	UBAF	12
31.	SFE Bank	10
32.	Mitsui Bank	10
33.	Canadian Imperial Bank of Commerce	9
34.	Gulf International Bank (Bahrain)	9
35.	Dresdner	9

Source: Caplan International Finance Data Inc.

Euromarkets

Fed Policy Is Lesser of 2 Evil

By Hobart Rowen

NEW YORK — It is now about two months since the Federal Reserve Board's dramatic and drastic moves Oct.6 boosting interest rates and adopting monetarist tactics to put a crimp in the expansion of bank lending.

The Fed's steps were taken in the wake of a flight from the dollar that threatened to be a worldwide disaster. Pressures from other countries, which saw the United States ineptly fighting double-digit inflation, were too strong to resist.

The Fed's package reflected the growing power of a new chairman, Paul Volcker. It has been received warmly despite a big jump in interest rates, unsettled stock and bond markets, and a general admission by the Fed itself that one consequence will be steeper recession in the United States next year.

The predominant view is that the tough Fed policy was the lesser of two evils. The other would have been an uncontrolled inflation, a dumping of the dollar and a serious crash — a specter that persuaded three Federal Reserve governors, who earlier resisted an austere approach, to go along with Volcker.

More or less naturally, the question that is Topic A in the business and financial work is: Will the Fed stick with its touch policy, or will it be forced to back off, either because the recession is getting too oppressive or because President Carter tries some arm-twisting during the political season?

Substance

The first thing to note is that Mr. Volcker's drift into monetarist strategy may be temporary. He feels that the current focus on money supply and bank reserves — rather than interest rates — is the simplest way of stating the Fed's objectives in a way that the public can understand. He is said to feel that this is especially important in a time of excessive inflation and uncertain economic relationships.

But it is really more complicated than that. In the first place, the Organization of Petroleum Exporting Countries is going to have a lot to say about it. At a mid-November congressional appearance, Mr. Volcker made it plain that "a very large" increase in oil prices would force the Federal Reserve to loosen its money growth targets.

In one sense, the key symbol of the Fed's new policy is the devotion to the idea that the central bank should stick doggedly to firm adherence to money supply targets through thick and thin.

Volcker has been having greater success than former Fed chairman G. William Miller in trying to stay within stated targets. But as he now admits, a massive oil price increase would force the Fed to allow somewhat greater money growth. He says flatly that such growth could undermine prospects for correcting inflation.

Test

The way most businessmen and financial experts see it, the test for Fed policy would come at a time when unemployment is moving up and hits a rate, say, of 8 percent. Does the Volcker Fed then consciously try to lower interest rates as a stimulus to the economy?

"Under those conditions, I would expect lower interest rates without consciously increasing the money *supply more than planned*," Mr. Volcker told a House committee.

He reportedly feels that the real test of the Fed's determination won't come during next year's recession, but in a recovery period — if there is one. Typically, interest rates might start up again while unemployment might be pressured by politicians, liberal economists and others to expand money targets, pumping additional strength into the economy. Volcker is said to feel that if the Fed succumbed to such pressures, a new inflationary cycle would be generated.

Academic

But whether Volcker's carefully crafted majority at the central bank would go along with that view is not clear at the moment.

All of this in the end could prove highly academic because of the oil crisis. Oil supply shortages and the stunning price increases this year (and we've only seen the beginning of the problem) will cause a [...] wide economic downturn in [...]

The main result Mr. Volcker [...] been hoping to see from his [...] policy — an easing of inflation [...] its current double-digit level [...] is not a likely event for [...] months ahead. Privately, the view [...] the Federal Reserve Board is [...] with a further decline in consumer [...] purchasing power, it's hard [...] what will trigger recovery from [...] cession.

The bottom line, as it can [...] pieced together from public [...] ments and private guidance, is [...] The Fed, which was regarded [...] one last bastion against a [...] inflation — especially after O[...] — has taken an exceedingly [...] and serious view of the total [...] tion. The Fed's austerity policy [...] surely deepen recession, and [...] even moderate prices a bit [...] what they might otherwise [...] been. But it's still double digit [...] the way, thanks to oil prices.

TOP 35 LEAD BANKING GROUPS IN VOLUME OF EURO-LOANS SIGNED AND ANNOUNCED FROM JANUARY 1-NOVEMBER 9, 1979

	Group	Volume of Loans $ equivalent
1.	Citicorp	11,144.30
2.	Chase Manhattan	7,993.32
3.	Credit Lyonnais	7,459.71
4.	Bank of Montreal	7,275.04
5.	Lloyds Bank Group	6,555.32
6.	Bank of Tokyo	6,243.84
7.	Bank of America	5,361.49
8.	Morgan Guaranty	5,136.39
9.	WestLB	4,199.41
10.	Manufacturers Hanover	3,869.00
11.	Deutsche Bank	3,749.55
12.	Chemical Bank	3,299.00
13.	Industrial Bank of Japan	2,965.95
14.	NatWest	2,926.50
15.	Bankers Trust	2,852.00
16.	Long Term Credit Bank of Japan	2,781.94
17.	Midland Bank	2,174.19
18.	Barclays Bank	2,044.93
19.	Sumitomo Bank	1,921.57
20.	Royal Bank of Canada	1,818.49
21.	DG Bank	1,600.00
22.	Societe Generale	1,580.00
23.	Fuji Bank	1,540.00
24.	Grindlays Bank	1,512.90
25.	Canadian Imperial Bank of Commerce	1,402.00
26.	BNP	1,383.00
27.	Dresdner	1,317.66
28.	Orion	1,297.14
29.	Warburg	1,297.00
30.	Toronto-Dominion	1,170.00
31.	Bayerische Landesbank	1,100.00
32.	Commerzbank	1,083.00
33.	First Chicago	1,027.75
34.	Swiss Bank Corporation	1,020.00
35.	UBAF	1,012.27

Source: Caploan International Finance Data Inc.

Two Illusions: Diversification, Coupons

(Continued from Page 14S)

stable of the currencies in the system.

The eua has been used for close to 100 Euro-issues since 1961. Yields tend to be lower than those of the Belgian franc and guilder because investors perceive the risk as being lower than that of a single currency.

Eua offerings are made by international syndicates. Maturities are long. The secondary market is quite good.

The eua has been the most successful of the artificial currencies because it could prove its stability and a large market has been developed.

The basket type of unit is of a different nature. It is various amounts of different currencies put together and given a name. The sdr is a basket of 30 percent dollars, 12 percent deutsche marks and varying amounts of 14 other currencies. It is also the imf unit of account. It thus has some official flavor and some countries have their currency pegged to the sdr.

Some issues were made in sdr's. Investors were mainly institutions. Yields are lower than the weighted average of the component currencies.

The ecu of the eec is also a basket. So far, it has lacked the official support that would be needed for capital market operations.

Some domestic-based *markets* are occasionally in fashion, like the Danish market was from 1977 to early 1979, when it attracted investment from Benelux and Germany because of very high tax free rates (about 16 percent for a 6 to 7 year government paper) and a currency linked to the snake.

The Austrian domestic bond market is occasionally attractive since there is no withholding tax on domestic or foreign bonds. The Austrian shilling usually follows the dm very closely and interest rates are sometimes higher than in dm. Foreign issues include some foreign underwriters. Both foreign and domestic bonds are usually easy to buy.

Canadian dollar Eurobonds have been issued by Canadian and foreign borrowers at yields in line with domestic yields. The secondary market is more or less satisfactory. The volume of new issues depends on the mood of international investors as to the currency.

Dinar

There are regular foreign-Euro issues in Kuwaiti dinar led by Kuwaiti institutions and mainly sold in Kuwait. The offerings involve international banks and a listing in Luxembourg. While offerings have included prime names, the market has been restricted mainly to Middle East investors. This is because of the exotic flavor of the currency, which has been linked to the dollar up to now and which yields 1 to 2 percent less than the dollar. The euromarket provides short-term investment opportunities in the form of deposits with banks or indirectly through fiduciary accounts.

Interbank Euro-rates are [...] domestic rates for most curre[...] except when extended specu[...] on some currency like the S[...] franc or yen drives rates below [...] mestic rates, even below zero.

Eurodeposits are possible [...] amounts as little as the equiv[...] of $25,000 at around 1½ percent [...] low interbank bid rates, and [...] close to interbank bid rates [...] amounts equivalent in dollars [...] in yen for amounts of at least [...] equivalent of $100,000. Equity [...] nancing in the international [...] kets is a much smaller segment [...] bond and interbank financing.

National stock exchanges [...] provide enough opportunities [...] interested investors.

Convertible Eurobonds are [...] sued regularly and occasion[...] stocks are issued on the Euro[...] kets through European deposit [...] ceipts, which ease the marketabil[...] and tax problems.

(Mr. Coussement is an executive [...] rector of Kredietbank S.A. Luxembourgeoise).

INTERNATIONAL
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Page 17 Wednesday, November 28, 1979

BUSINESS/FINANCE

Import Promotion Affected

Japan Takes Yen-Support Steps

YO, Nov. 27 (AP-DJ) — The
of Japan and the Finance
y today announced a pack-
measures to stop sharp de-
ion of the yen on exchange
s, including suspension of
port settlement bill system
d to promote imports.
of Japan officials said the
sion, to go into effect Mon-

day, means that the central bank will stop extending low-interest yen funds to major commercial banks against the security of import settlement bills from Japanese trading houses and other corporations.

The package of measures is designed chiefly to put an end to speculative exchange activities and promote a flow of dollars into Japan to ease the present short supply, a major reason behind the dollar's continuing climb in the market here.

Announcement of the measures, which include easing of restrictions on an inflow of foreign-currency loans, had been expected in foreign exchange circles here for some time, as the yen continued to decline, reaching the lowest point in more than two years today.

Officials apparently were forced to act now. Speculation persisted that the yen would continue to go down, in view of Japan's deteriorating international payments position and further increases in oil prices expected at next month's OPEC meeting in Caracas.

Ceilings Raised

A number of measures take effect *tomorrow. Ceilings are raised on* holdings of dollars and other currencies at foreign exchange banks, both Japanese and foreign. Monetary authorities will take a flexible position on applications for foreign-currency loans, both short- and long-term, so as to promote an inflow of dollars and other currencies.

Foreign exchange banks will be required to submit reports on exchange dealings daily, and also report all exchange deals exceeding $5 million. Major trading companies will have report forward exchange contracts with foreign exchange banks. Securities firms and foreign exchange banks will be required to report purchases by residents in Japan of short-term securities in foreign currencies.

Foreign exchange dealers and analysts here said they were not surprised by the contents of the package, which is expected to exert psychological pressure to stop over-speculative moves.

Some expressed concern, however, that the yen's basically weak tone may remain unchanged until the "fundamentals" improve. The reference is to the worsening payments balance and the present oil situation.

One dealer said the package is a reflection of officials' long-held belief that the yen is undervalued. Bank of Japan Governor Teiichiro Morinaga in recent months has seized every opportunity to stress that the yen's value has declined excessively and has said that the central bank would not hesitate to step into the market to support the yen. The central bank has dumped what many foreign exchange analysts consider a record amount of dollars this year — $12 billion through September — *in an unsuccessful effort* to stem the U.S. currency's rise.

an Adds to Uncertainties

ot Crude Prices Steady, t Calm Seen Temporary

DON, Nov. 27 (AP-DJ) —
s that Japan's Ministry of In-
nal Trade and Industry is
ering punitive measures
oil companies and trading
hat buy spot crude oil divert-
Iran from the United States
jected an element of uncer-
nto the international spot oil
, where Japanese buying has
e of the main driving forces
e time.

ast one deal on the threshold
pletion at around $41 a bar-
Gulf is known to have fall-
ugh as a result of the Japa-
evelopment, market partici-
ay. This, added to high stock
n most of the world's key
ing areas, has contributed to
g in spot crude prices.

es are quick to point out
h bearish influences appear
very short-term, the longer-
utlook being for continued
both spot market and offi-
e selling prices.

role of the Japanese in the
course of oil prices will be
The apparent desire of
to cool Japanese ardor for
l at almost any price has no
een encouraged by high in-
levels and by a desire to be
other member countries of
rnational Energy Agency to
g something to help take the
of the spot market in ad-
f next month's meeting of
ninisters in Caracas.

Supply Squeeze

et sources point out, howev-
some Japanese oil-purchase
s expiring this year with
jors and state oil companies
ot yet been replaced with
mmitments of oil for 1980.
sult could be a supply
sometime in the first half of
r.

more OPEC crude being
spot or spot-related prices,
nese will have a tough time
g new supplies of crude at
lly acceptable prices. This
sult eventually in a reversal
ew, tough position, market
ants believe.

reported Japanese move
at a *time when spot prices*
better grades of crude oil
etween $40 and $44 a barrel
Arab light, OPEC's marker
s valued generally in a range
$41. Some traders pinpoint
e at $39.50-$40.

spot crude prices heard in
t week include: Forcados,
$42 FOB and $44.50 CIF
st Europe asked; Russian
one at $38 CIF Med a few
o, and $40 FOB Med asked;
n Gulf of Suez blend
$39 FOB Red Sea end of
anal; Kuwait $38.50 bid;
ne done at about $43.50
Ecuador Oriente done at
FOB; Sarir done at $42.25
Ekofisk $44 asked for two
after $43 done two weeks
rian Soedi $35 FOB; Egyp-
layim $36 FOB and Ras
around $28.50 FOB.

all the market has gone very
There are few if any buyers
few bone fide cargoes now

dition to the Japanese initia-
tors to be considered in to-
arket include high stock lev-
inhibit purchases of large
s of crude for prompt deliv-
creased quantities of crude
at spot or spot-related pric-
idering that the volume that
ies can purchase economi-
such levels is limited; and a
al desire among the oil com-
to keep a low profile during

the period leading up to the OPEC meeting that starts on Dec. 17.

While such factors suggest a coming weakening in spot quotations, few in the market believe that this will amount to anything more than a "downtick" within what is basically an upward trend.

In the products markets, prices have generally maintained the higher levels reached earlier in the month. Factors that have pushed quotes upward include the events in Iran, seasonal purchases of gas oil by end users up the Rhine, demand for heavy fuel — which is in short supply because of a low level of spot processing at Mediterranean refineries — and sustained demand for spot gasoline in the United States, where inventories have sagged because of last summer's early turnaround to maximize stocks of light heating oil.

Dollar Declines, But Bundesbank Aid Limits Drop

LONDON, Nov. 27 (AP-DJ) — The dollar remained under pressure today due to events in the Middle East and ended lower in active European trading, although it rose to a 2-year high against the yen earlier in Tokyo trading.

Dealers said the Bundesbank bought dollars all day and was able to keep the U.S. currency from falling much below 1.74 Deutsche marks. At the end of the day, short-covering helped lift the it to 1.7480, yesterday's closing level.

The dollar firmed after Chase Manhattan's announcement that it was cutting its prime rate to 15¼ percent. A dealer said that while a decline in dollar interest rates would normally be treated as adverse to the dollar, dealers considered the half-point cut a sign that demand for money is weakening along with the U.S. economy. This should lead to an improvement in the U.S. trade accounts, he said.

The dollar moved in a very broad *range against* the yen, but finished slightly lower. When rumors that the Bank of Japan was about to tighten exchange controls reached the market in the morning, the yen was quoted in a very wide range of *246 bid, 248 offered, compared with* the closing level in Tokyo of 251.53. When the measures turned out to be minor, the dollar recovered to 249.12 yen.

The dollar fell to 1.6575 Swiss *francs from* 1.6615 *and* to 4.1032 French francs from 4.11. Sterling rose to $2.1615 from $2.1580.

Gold prices were off 75 cents in London late today at $394-394.50, *bid and asked*, up from $393.75 at *the afternoon fixing* and $393.50 at the opening.

Surplus Down, Bonn Reports

WIESBADEN, West Germany, Nov. 27 (AP-DJ) — The West German trade surplus narrowed in October to 1.802 billion Deutsche marks from 1.895 billion DM in September and 4.798 billion DM a year earlier, the statistics office said today. Imports rose 21 percent from September to 28.2 billion DM, up 28.7 percent from October, 1978. Exports rose 19 percent to *29.95* billion DM, up 12.3 percent from a year earlier.

The current account showed a preliminary deficit of 1 billion DM in October compared to a September deficit of 2.361 billion DM and a surplus of 3.521 billion DM in October, 1978.

Separately, the Bundesbank reported that the country's broadly defined M-3 money supply declined by 800 million DM in October and showed a projected annual growth rate of 4.4 percent, down from 6.1 percent in September. Another money supply measure used by the central bank to determine policy was up 7.5 percent from October last year compared with 8 percent in September.

ecor Offered C Compromise

COW, Nov. 27 (AP) — The
an Economic Community
ay offered new compromise
ls to the Comecon bloc to
e a cooperation agreement,
close to the talks said as ne-
ns continued today.
compromise, which was not
d, is believed to give greater
cognition of Comecon's role
rading organization. In six
f talks, the EEC has main-
that the two groups differ
y. Brussels has said that
ne EEC negotiates trade ac-
n behalf of its members, the
necon states yield no sover-
o their central organization.
s a consultative rather than a
body.
compromise during earlier
l Brussels, the EEC agreed
de relations could be men-
n a preamble to a document
peration, but Comecon held
specific references to a need
st-favored-nation treatment
between the two groups.

Company Reports

Revenue, Profits in Millions
In local currencies, unless otherwise indicated

Britain

Allied Breweries	1979	1978
1st Half		
Revenue......	1,109.	1,090.
Profits........	45.8	53.3

United States

Hewlett-Packard *	1979	1978
4th Quar		
Revenue......	679.0	517.0
Profits........	56.00	52.00
Per share.....	0.93	0.87
Year	1979	1978
Revenue......	2,350.	1,730.
Profits........	203.00	153.00
Per share.....	3.43	2.63

* *Per share adjusted for a two-for-one stock split in June, 1979.*

Rapid-American *	1979	1978
3rd Quar		
Revenue......	683.4	638.6
Profits........	10.78	12.74
Per Share.....	1.34	1.47
9 months	1979	1978
Revenue......	1,830.	1,720.
Profits........	14.99	17.91
Per Share.....	1.93	2.10

* *1978 results restated.*

Carter Hawley Hale Stores	1979	1978
3rd Quar		
Revenue......	583.4	498.6
Profits........	12.17	10.23
Per Share.....	0.45	0.39
9 months	1979	1978
Revenue......	1,580.	1,330.
Profits........	26.78	23.50
Per Share.....	0.97	0.87

Litton Industries	1979	1978
1st Quar		
Revenue......	953.0	940.5
Profits........	55.56	9.35
Per Share.....	1.41	0.21

News and Notes

Television satellites will be developed by two West German and two French companies under an agreement in principle reached by the two governments, according to participant Thomson-CSF. It and Messerschmitt-Bolkow-Blohm, AEG-Telefunken and Societe Nationale Industrielle Aerospatiale will form a joint industrial group by next year which will be the biggest in the field in Europe, Thomson says. The group will develop and operate TV satellites and subsystems and promote international sales.

* * *

Real profitability of the U.K. industrial and commercial sector, excluding North Sea oil activities, *is likely to fall below* 2 percent in 1980 from less than 3 percent this year, the Confederation of British Industry says. This would be the worst profitability recorded by the CBI, and would result in a 1.25-percent *drop in real fixed* capital formation and some destocking by the industrial and commercial sector, CBI says.

* * *

Renault and Volvo are discussing cooperation in automaking, the French state-owned company says. It adds that the talks are exploratory and it is not certain whether they will lead to formal joint ventures. Sources say Volvo is looking for a partner to build cars and light trucks.

* * *

Massey Ferguson says it agreed to sell its Hanomag construction machinery business to LBH Holding, of West Germany, for undisclosed compensation. The sale includes the MF-Hanomag plant in Hanover and its product line of wheel loaders, crawler bulldozers and loaders, excavators and compactors. Massey says that Hanomag sales in the Oct. 31 year were about $220 million.

Gulf & Western Accused Of Fraud, False Reporting

From Agency Dispatches

WASHINGTON, Nov. 27 — The Securities and Exchange Commission has accused Gulf & Western Industries of fraud and improper financial reporting, in one of its largest civil complaints.

The complaint, entered in the U.S. District Court here yesterday after an investigation of more than three years, accuses G&W Chairman Charles Bluhdorn and Executive Vice President Don Gaston of failing to disclose "material" information in SEC filings. The alleged violations range back to 1969.

The agency accused the two officers and others not named in the suit of using corporate airplanes and limousines for "purposes unrelated to the business," and of obtaining personal bank loans from institutions that hoped to get G&W accounts.

Mr. Bluhdorn, in a statement issued from the corporation's headquarters in New York, called the allegations "totally unwarranted and outrageous" and a "cynical and misleading" interpretation of legitimate business transactions.

"We will litigate this matter to the end," he said.

The 53-year-old, Vienna-born entrepreneur added that even if the allegations were true, they would not affect "materially or significantly" the company's aggregate report*ed net earnings and net worth dur*ing the period cited in the complaint, 1968 to 1975.

The SEC asked the court to issue an injunction against the company and the two executives to halt future violations of the securities laws. It also asked the court to order restitution where necessary, and to make the company correct financial reports filed with the agency.

G&W was one of the earliest of the conglomerates to have experienced explosive growth in the last two decades. It now has more than 250 subsidiaries, the most widely known of which is probably Paramount Pictures. Operations range from entertainment to metals, textiles and sugar.

The complaint makes these principal charges:

- The defendants made "fraudulent" use of the G&W pension fund for "inappropriate" investments in companies in which they had personal interest. The complaint describes a transaction whereby the fund acquired 32,000 shares of Bohack Corp., in which Mr. Bluhdorn and Mr. Gaston held an 8-percent interest. The fund later sold the stock at a substantial loss.

Pension fund assets were used to purchase up to $5 million in G&W commercial paper that the company was having trouble selling in 1970, the complaint said.

- The defendants "utilized G&W employees for personal tax, legal and financial services," used limousines and airplanes for purposes unrelated to the business, and "obtained loans for themselves and others from several lending institutions which had or desired to have a business relationship" with the corporation.
- Mr. Bluhdorn in effect performed a valuable service for Michele Sindona, the indicted Italian financier, by putting proceeds from a complex stock-sales transaction into the holding company of the Franklin National Bank, which Mr. Sindona then controlled, "in an attempt to artificially support the market price of the Franklin common stock."
- In another complex transaction involving a company controlled half by Mr. Sindona and half by Mr. Bluhdorn, profits of G&W were overstated in 1970 by $15 million.
- G&W failed to report how Mr. Bluhdorn used $64 million in profits that the company made speculating in the sugar futures market in 1975. Mr. Bluhdorn "put at risk substantial amounts of Gulf and Western assets in these transactions without the prior knowledge or authorization of G&W's board of directors," the SEC said.

Bank of Japan Chairman

TOKYO, Nov. 27 (AP-DJ) — The office of Premier Masayoshi Ohira announced today that Deputy Governor Haruo Mayekawa, 68, will become governor of the Bank of Japan succeeding Teiichiro Morinaga when Mr. Morinaga steps down on Dec. 16 after a five-year term. Satoshi Sumita, 63, former president of the Export-Import Bank of Japan, will become deputy governor of the central bank.

Chase Cuts Prime Rate to 15¼% But Others Refrain; NYSE Mixed

From Agency Dispatches

NEW YORK, Nov. 27 — Chase Manhattan today became the first major bank to slash its prime rate a half-point to 15¼ percent as the bulk of the U.S. banking industry hestitated to make even a more modest cut in the key lending rate.

Meanwhile, New York Stock Exchange prices lost gains held most of the session to end mixed in heavy trading. Analysts said investors took profits on the sharp gains scored yesterday following prime rate cuts by several banks.

The reduction by Chase, the nation's third largest bank, accentuated the split among bankers over the proper level for interest rates, and sent confusing signals over whether this year's record rates have peaked.

Such a peak was predicted when Bankers Trust, the eighth largest bank, cut its prime lending rate a quarter-point to 15½ percent yesterday, the first decline this year. But almost all other large banks held their primes at the record 15¾-percent level after the Bankers Trust move, and they remained firm again today following the larger reduction by Chase.

Echoing the reasoning of analysts who have predicted a peak in rates was near, Chase said it made its cut because of a "moderation" in its business loan demand and because a decline in other money market interest rates has lowered its cost of funds.

Chase added, however, that the lower rate "should not be interpreted as a prediction of the future of interest rates one way or the other." Bankers have said they may adjust their prime rates more frequently in the future to keep pace with changing money market conditions.

A formula used by Citibank, which adjusts its rates Fridays, is expected to call for a 15½-percent rate, although the bank sometimes ignores the formula.

The Dow Jones industrial slipped 2.90 to 828.85 bnt advances led declines about five to three as volume declined to 45 million shares.

The market rose initially on carryover strength from yesterday and drew added support from Chase's move. But a World Bank official said the U.S. interest rate decline could be temporary and news that U.S. Steel would post a "sizeable loss" in the fourth quarter and a loss for the year due to the elimination of some operations and the layoff of about 13,000 employees was discouraging, analysts said.

U.S. Steel ended unchanged at 18⅜ but other steels fell.

Electronics and computer issues lost ground. Hewlett-Packard tumbled 6⅞ to 52 in active trading. It predicted a slowdown in profit growth next year.

St. Joe Minerals fell 1⅛. It will close a zinc smelter and take a $22-million charge, which may, however, be reduced by year-end accounting adjustments.

Autos reported sharply lower mid-November car sales and lost fractions. Ford Motor's U.S. sales fell 15.5 percent to 51,462 units, Chrysler's fell 17 percent to 21,280 and General Motors' 17.2 percent to 129,854.

Xerox introduced low radiation dental X-ray equipment and rose ⅜.

Companies increasing quarterly dividends included Becton Dickinson to 23 cents a share, Landmark Bank Florida to 12½, Merck & Co to 57½, New England Electric to 59, Santa Fe Industries to 65 and United Cos Financial to 18.

Reading & Bates split its stock 3-for-2.

Realty Inc reduced its quarterly payout to 20 cents.

Tirangle Industries declared a 5-percent stock dividend and National Computer Systems declared a 25-percent stock dividend and maintained *the regular quarterly* cash dividend at six cents on the increased number of shares.

Howell Corp. declared an extra year-end cash dividend of 10 cents.

U.S. Price Index Rises 1%, Moderation Soon Unlikely

From Agency Dispatches

WASHINGTON, Nov. 27 — U.S. consumer prices rose 1 percent in October, seasonally adjusted, but prices of gasoline, home heating oil and food climbed more slowly than they have in recent months, the Labor Department reported today.

Director Robert Russell of the Council on Wage and Price Stability cautioned that he sees no "significant moderation" of inflation in the next few months. He told the Joint Economic Committee of Congress that the 1-percent October increase presents "mixed evidence" about the economy.

The underlying inflation rate has yet to "explode," he said, but he warned that a potential explosion is being built into the industrial component of the consumer price index by high energy costs.

The October index stood at 225.4 percent of its 1967 average. The overall increase in the index in October — blamed mostly on sharply rising housing prices — was a shade less than September's 1.1 percent. But October was the 10th consecutive month in which price increases have hovered around 1 percent.

12.2% in Year

The October figures brought the total increase in consumer prices in 12 months to 12.2 percent. This equaled the inflation figure for calendar year 1974, which was the worst inflation year since 1946, when prices rose 18.2 percent.

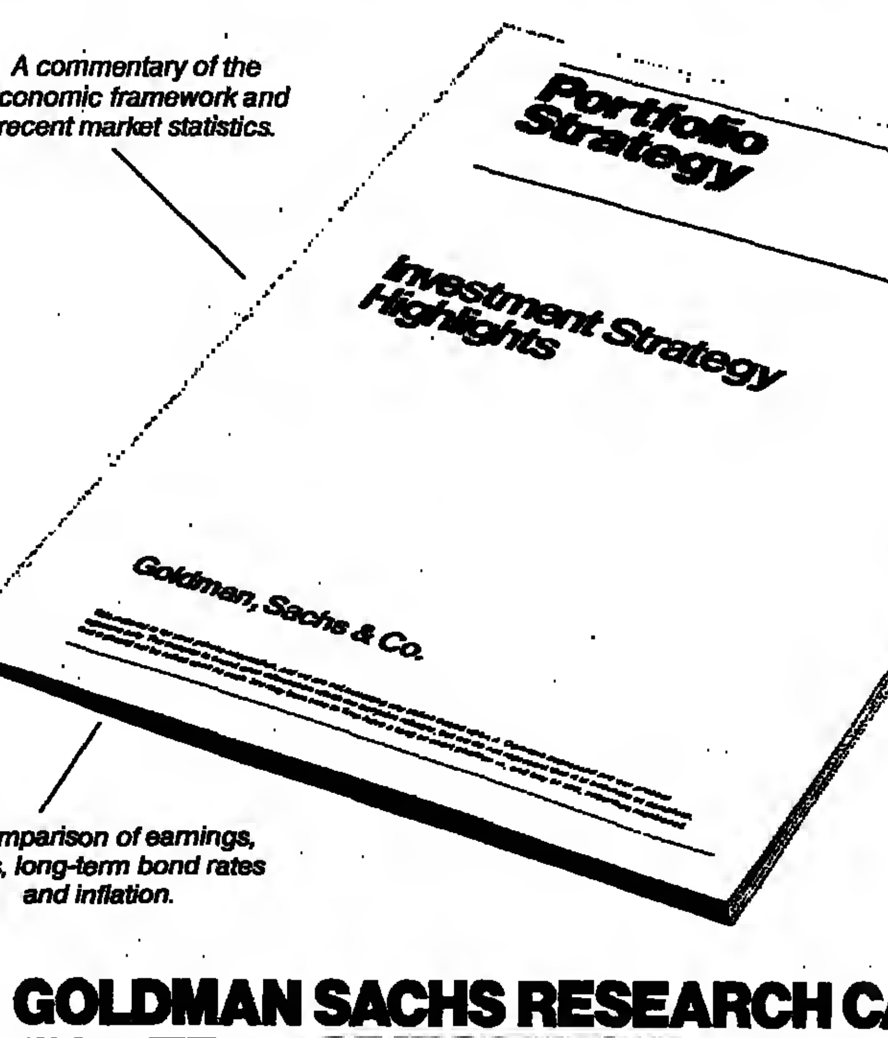
Labor Department analysts said that for the first time in several months they have begun to see some changes in the pattern of individual prices. They cautioned that this may not last, and said it would be premature to conclude that inflation has begun to slow down.

The report showed that gasoline prices rose 1.8 percent in October, compared to average monthly increases of about 4 percent during the previous nine months. This was the smallest increase since last December. Home heating oil rose 1.3 percent, compared to a recent average monthly increase of 5 percent.

Food and beverage prices rose 0.7 percent, compared to 0.9 percent in September. Most grocery foods showed slower increases, the Labor Department said. Fresh fruit and vegetables declined 1.2 percent. Prices of meat, poultry, fish and eggs rose 1 percent, compared to 0.7 percent in September.

The cost of housing rose 1.5 percent in October — the ninth consecutive month of large increases — due largely to rising mortgage interest rates and home purchase prices. Housing accounted for two-thirds of all the October price increases, officials said.

In a separate report, the Labor Department said the purchasing power of blue collar production workers — their average weekly earnings after federal taxes and after adjusting for inflation — declined 1.1 percent in October from the previous month. It has fallen 5.1 percent in the last year.



NYSE Nationwide Trading Closing Prices Nov. 27

Tables include the nationwide prices up to the closing on Wall Street.

12 Month High	12 Month Low	Stock Div. in $	Yld.	P/E	Sls. 100s.	High	Low	Close Quot.	Ch'ge Prev Close
		— A—A—A —							
39¾	29⅛	ACF 2.24	6.7	6	152	34	33⅝	33½	+ ⅜
18⅝	14½	AMF 1.24	8.5	6	463	15	14⅝	14⅝	— ⅛
25	12⅘	AM Intl .20	2.1	22	1002	13⅝	12⅞	13⅝	+ ½
12¼	9½	APL 1	9.6	47	23	10⅝	10¼	10⅝	
42	32½	ARA 1.82	5.2	7	329	35½	34¾	35	+ ⅛
33½	21¾	ASA 2.40e	8.4		465	28½	27⅝	28⅛	+ ½
12¾	0⅛	ATD .56	5.7	4	76	9⅝	9½	9⅝	+ ⅜
25	17	AVX s .25	1.1	12	256	25	23⅝	23⅝	— ⅞
42	29½	AbbtLb 1	2.4	15	570	u42⅝	41¼	41½	— ⅜
24⅞	16⅛	AcmeC 1.20	5.3	5	129	22⅝	22⅜	22⅝	+ ⅛
4⅞	3¼	AdmDg .04	1.2	5	8	3½	3⅜	3⅜	
13⅛	10¾	AdaEx 1.32e	11.		38	12¼	12⅜	12⅛	
6⅛	4¼	AdmMl .20e	4.3	46	19	4⅝	4½	4⅝	+ ⅛
33	30⅞	AMD n		15	567	35	33	34	— ⅛
36⅞	28⅝	AetnLf s1.80	5.1	6	829	35¼	34⅝	35	+ ⅛
28¼	17⅝	Ahmans 1.20	5.0	5	127	34	23½	24	+ 1¼
3¼	2	Aileen			67	2⅝	2⅜	2⅝	— ⅛
35⅝	23⅛	AirPrd .80	2.5	9	1235	31⅝	31	31⅝	+ ⅜
25⅝	16⅞	AirbFrt 1.20	5.0	10	620	24	23⅝	24	+ ⅛
17⅛	11¼	Alzona .80	6.7	5	102	12¼	11¾	11⅞	— ⅛
8¾	6⅝	AlaP dpf.87	12.		13	7½	7¼	7½	+ ⅜
[illegible]									

(Continued on Page 19)

NYSE Nationwide Trading Closing Prices Nov. 27

Tables include the nationwide prices up to the closing on Wall Street.

(Continued from Page 18)

12 Month High	Low	Stock	Div. in $	Yld.	P/E	Sls. 100s.	High	Low	Close Quot.	Ch'ge Prev. Close
	14	PSEG pf5.28		12.		z110	47½	45½	45½	+1⅝
	18½	PSEG pf2.17		11.		3	19⅝	19	19⅛	+ ⅛
	19⅝	PSEG pf2.43		12.		8	21⅛	21	21	— ⅛
	11¼	PSE pf12.25		12.		100	105	104⅝	105	+2⅝
	15½	PSEG pf7.80		11.		z7530	69⅝	67	69⅝	+2⅝
	18	PSEG pf8.08		12.		z700	69	68	69	+3⅛
	14	PSEG pf7.52		11.		z4250	67⅛	65	67⅛	+4⅛
	13	PSEG pf7.40		12.		z3050	66⅛	63	64	
	14½	PSEG pf9.62		12.		z110	83	d83	83	+1
	5½	Publick			18	193	9⅝	8⅝	8⅝	— ⅛
	3⅝	Pueblo			4	13	3¾	3⅝	3⅝	— ⅛
	3⅞	PR Cem			4	16	4	3⅞	4	+ ½
	3⅝	PuSPL 1.64		12.	8	154	14¼	13⅞	14	+ ⅛
	9½	Pullmn 1.80		4.4	8	346	41¼	40½	40½	— ⅝
	4⅝	Purex 1.28		8.0	7	132	16⅝	16	16	
	3⅛	PurlinFo				34	6⅞	6⅛	6⅛	— ¼
	3½	Purolir 1.36		5.1	7	29	26⅝	26	26⅝	+ ⅝
	2	QuakD 1.40		5.1	6	158	27⅝	27¼	27¼	— ¼
	0	QuaO pf9.56		9.4		z1000	102	102	102	+1⅜
	3½	QuakSO s.80		5.2	18	211	15⅝	15⅛	15⅜	— ⅛
	8¾	Quanex s 1		4.6	8	34	23	22⅝	22⅝	+ ⅝
	6⅛	Questor .20		2.9	11	173	7⅛	6⅞	7	— ⅛
	9	QuestrpfA2		9.9		1	20¼	20¼	20¼	+ ⅛
	9	RBInd .28		2.8	7	50	10¼	9⅞	10	+ ⅛
	1½	RCA 1.80		7.8	6	1755	23⅝	22¾	22⅝	— ⅛

12 Month High	Low	Stock	Div. in $	Yld.	P/E	Sls. 100s.	High	Low	Close Quot.	Ch'ge Prev. Close
46⅝	32⅝	Rockwl 2.40		6.1	6	644	44¼	42⅝	42⅝	—
114½	21	RkInt pf4.75		4.5		1	106	106	106	+3
47⅝	30½	RohmH 3		4.5	6	84	44⅝	44⅝	44⅝	+
19¼	11¼	Rohr Ind			6	683	14⅛	13⅝	14⅛	+
21⅝	16¼	Rollins .72		2.5	13	767	29⅝	28⅝	28⅝	—
40	28⅝	Rolm s			22	493	38⅝	37⅝	38⅝	—
4½	2½	Ronson				10	2⅝	2⅝	2⅝	—
11⅞	9⅝	Roper s .90		8.6	5	10	10⅝	10½	10½	—
20¼	13⅝	Rorer .84		5.4	9	851	15⅝	15⅛	15⅝	+
50	15	Rosario .80a		1.7	14	283	46	45½	45¾	+
39	18	Rowan .18		.3	15	123	38⅝	37½	37½	—
18¼	11⅝	RC Cos 1.04		8.2	16	19	12⅝	12½	12⅝	
80⅝	58	RoylD 5.53e		7.0	3	578	79⅝	78½	78⅝	—1
29⅝	21⅝	Rubbrm .92		3.1	18	18	29⅝	29⅛	29½	—
11⅛	8⅝	RussTog .88		9.9	5	21	9	8⅞	8⅞	+
25⅝	14⅞	RyanH 1.30		8.9	7	26	20⅝	20⅛	20¼	—
27½	19½	RyderS 1b		4.1	7	147	24½	24	24⅛	+
10⅝	5⅞	SCA .35t		4.2	9	253	8⅝	8¼	8¼	
32	16⅝	SCM 1.30		5.0	5	93	26¼	25⅝	25⅝	
26¼	15⅝	SPSTec .64		2.6	7	154	26	25	25	—
58½	27¼	Sabine .56		1.0	35	x65	58¼	57	57¼	—
21⅝	8½	Safedin .32		1.5	16	80	21⅞	21⅛	21⅞	
44	34⅝	Safewy 2.40		7.5	6	341	35	34⅝	34⅝	—
11⅜	7½	SagaCp .44		5.6	25	33	7⅞	7⅝	7⅞	+
34⅝	21⅝	SJoMn 1.40		4.4	8	114	33¼	31⅝	21⅝	—1
13¼	10½	StJoLP 1.26		12.	8	3	10½	10½	10½	—
60⅝	34⅝	StLSaF 2.50		4.4	8	17	56½	55½	56¼	+1
11¼	8⅞	StPaul 1.03e		11.		123	9⅝	9⅝	9½	+
34⅝	27	StRegP 2		7.2	6	170	27⅝	27⅝	27⅝	+
7⅜	5⅛	Salant .40		7.1	7	8	5⅝	5⅝	5⅝	—

Toronto Stocks

Closing Prices, November 26, 1979

Montreal Stocks

Closing Prices, November 26, 1979

Quotations in Canadian funds. All quotes cents unless marked $

Total sales 548,437 shares.

INTERNATIONAL FUNDS

ADVERTISEMENT

November 27 1979

Canadian Indexes

November 27, 1979

	Close	Previous
Montreal	212.40	312.55
Toronto	1,488.10	1,482.25

- Montreal: Stock Exchange Industrials Index.
- Toronto: TSE 300 index.

EEC Prices Rose 1.1% in October

From Agency Dispatches

BRUSSELS, Nov. 27 — The consumer price index for the European Community as a whole rose by 1.1 percent in October from September, the EEC Commission reported. This compared with a 1-percent rise in September from August.

The highest October increase was in Italy (2.3 percent) and the lowest in West germany (0.3 percent). The Benelux countries and Denmark had moderate increases of between 0.5 percent and 0.7 percent, while in Britain prices rose 0.8 percent.

Selected Over-the-Counter

NEW YORK (AP) — Closing Prices, November 27, 1979

[illegible]

Chicago Futures

November 27, 1979

[illegible]

U.S. Commodity Prices

[illegible]

Cash Prices

November 27, 1979

[illegible]

London Commodities

[illegible]

Commodity Indexes

November 27, 1979

[illegible]

London Metals Market

[illegible]

Tokyo Exchange

[illegible]

New index : 447.84 ; Previous : 445.57
Nikkei-DJ index : 6,487.38 / Previous : 6,387.58

Paris Commodities

[illegible]

European Markets

(Yesterdays closing prices in local currencies)

Amsterdam

[illegible]

Brussels

[illegible]

Frankfurt

[illegible]

London

[illegible]

Milan

[illegible]

Paris

[illegible]

Zurich

[illegible]

New York Futures

November 27, 1979

[illegible]

European Gold Markets

November 27, 1979

	A.M.	P.M.	N.C.
London	393.40	393.75	—1.50
Zurich	395.25	393.75	—1.50
Paris (12.5 kilo)	414.83	414.87	+3.26

Official morning and afternoon fixings for London and Paris, opening and closing prices for Zurich.

U.S. dollars per ounce.

Peat Loan for Ireland

LUXEMBOURG, Nov. 27 (Reuters) — Ireland has been granted a $6.2-million dollar loan to help it to develop peat bogs for fuel, the European Investment Bank announced today.

International Bonds Traded in Europe

Midday Indicated Prices, November 27, 1979

Dollar Bonds

Alcoa 10-89	89½	90½
Argentina 9¾-84	90½	91½
Ashland 7½-82	93	94
[illegible]		
Kennecott 9½-86	87½	[illegible]
Kidde W. 8½-85	81¾	[illegible]
Kockums 8-83	90¾	[illegible]
Manitoba 8¾-83	90¾	[illegible]
Manitoba 9½-89	85	[illegible]
[illegible]		
E D C 9¾-84	92¾	93¾
Finland 9½-86	88¾	89¾
Genstar 10-89	88½	89½
GMAC 9¾-86	90	91
Gotaverken 8¾-87	85¼	86¼
Gould 9¾-85	92	93
GTE 9¾-89	88	89
GulfWest 9¾-84	89	91
Home Oil 9½-86	85	87
Hudson Bay 10-94	90½	91½
ISE Cada 9-82	89	91
I T T 9½-89	86¼	87¼
Warner L. 9-84	91¾	92¾

Convertible Bonds

Amexco 6¼-87	70	72
BBC 4¾-93	88½	90½
Beatrice 6¼-91	91½	93½
Beatrice 4½-92	79½	81½
Beecham 6¾-92	94½	96
Boots 6¾-93	86	87
Borden 6¾-91	89½	91½

Tyco 8½-88, UBS 5-89, UnCarb 4¾-82, WarnLamb 4½-87, WarnLamb 6¼-88, Xerox 5-88 [illegible]

Bondtrade—Index

Basis Dec. 31, 1974

Tuesday [illegible]
Previous [illegible]

Market Summary

NYSE Most Actives

November 27, 1979

[illegible]

Dow Jones Averages

[illegible]

Standard & Poors

[illegible]

NYSE Index

[illegible]

Odd-Lot Trading in N.Y.

[illegible]

American Most Actives

[illegible]

AMEX Index

[illegible]

Tuesday's New Highs and Lows

[illegible]

AMEX Nationwide Trading Closing Prices Nov. 27

Tables include the nationwide prices up to the closing on Wall Street.

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls. 100s.	High	Low	Close Quot.	Ch'ge Prev Close
[illegible]										
10½	5¼	Susqh pf	1	12.		8	8½	8¼	8½	+ ¼
7¼	3⅝	Synaloy	.30b	4.3	9	102	7	6½	7	+ ¼
44¼	30⅝	Syntex	1.10	2.9	10	887	37⅝	37	37⅝	
24¼	18¼	Sysco s	.40	2.0	7	34	20¼	19¾	20¼	+ ¾
17⅞	10⅝	SystEng			11	234	16⅛	15½	15⅝	— ⅜
6⅛	2⅝	SysPln	.20	5.0	2	10	4	4	4	+ ½
— T—T—T —										
9¼	5⅝	TEC	.40	7.0	6	10	5⅝	5⅝	5⅝	
3⅛	1¾	TFI			6	44	3⅛	2¾	2⅞	+ ⅛
19¾	9¼	TabPd	.20	1.3	7	20	15⅛	15	15⅛	+ ⅜
14	8	TandB	.40	2.2	6	11	12⅝	12½	12½	+ ½
10	5¼	Tannet	.28b	4.7	4	65	6⅛	6	6	+ ⅛
14⅝	10	Tasty	1.20b	11.		3	10½	10½	10½	+ ⅛
[illegible]										
20⅝	14	USRbR	1a	5.7	8	3	17⅝	17⅝	17⅝	+ ¼
11⅝	6⅛	UnityB			9	21	9	8¾	9	+ ⅜
7½	3⅛	UnivCig	.05	.7	4	12	6⅞	6⅞	6¾	— ⅛
23⅝	11⅞	UnivRs	.32	1.5	21	278	22⅝	21¼	21⅝	—1½
11⅛	8⅝	UnivRu	.72	8.1	6	4	9	8⅞	8⅞	
— V—V—V —										
10	4⅛	Valle's	.81t	16.	14	16	8	4⅛	8	
16	7⅝	Volmac	.80	9.3		x1	8⅝	8⅝	8⅝	+ ¼
8⅝	5⅝	Valspar	.36	4.6	6	3	7⅞	7¾	7⅞	
3½	2⅛	ValueL	.06e	2.3		51	2⅝	2⅝	2⅝	— ⅛
2⅞	1⅝	Verll			8	1	1⅜	1⅜	1⅜	
23⅛	16⅛	VermlA	.32b	1.7	8	8	19⅝	19¼	19¼	+ ½
9¼	5	Vernitrn	.10	1.4	6	78	7⅝	7¼	7¼	— ½
[illegible]										

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Eurocurrency Interest Rates

November 27, 1979

	Dollar	D-Mark	Swiss Franc	Sterling	French Franc
1 M.	13 7/16 - 13 3/16	8 ⅝ - 8 ⅞	3 ⅞ - 2 8/16	16 ½ - 16 ⅜	12 ⅝ - 12 ⅞
2 M.	13 ⅞ - 13 ⅛	9 5/16 - 9 7/16	4 ⅞ - 4 ⅞	16 ⅞ - 16 ⅝	13 ⅞ - 13 ⅝
3 M.	13 9/16 - 12 11/16	9 ⅛ - 9 ⅛	4 3/16 - 5/16	16 ⅞ - 16 ⅝	13 ⅝ - 13 ⅞
6 M.	13 ⅛ - 13 ⅞	8 ⅞ - 9	5 - 5 ⅞	16 ⅞ - 16 ⅝	13 ⅞ - 13 ⅞
1 Y.	12 9/16 - 12 11/16	8 9/16 - 8 11/16	5 - 5 ⅞	15 ½ - 18 ⅜	12 ⅝ - 14

Currency Rates

By reading across this table of the November 27, 1979 closing interbank foreign exchange rates, one can find the value of the major currencies in the national currencies of each of the following financial centers (These rates do not take into account bank service charges):

	$	£	DM	FF	L.It.	Gldr.	BF com.	SwissF.	Dan.Kr.
Amsterdam	1.9495	4.228	111.94 *	47.615 *	0.2378	——	6.868 *	118.54 *	37.705 *
Brussels (a)	28.42	61.57875	16.315	6.937	3.4675 *	14.5725	——	17.286	5.40325
Frankfurt	1.7445	2.7705	——	42.62 *	2.127 x	89.46 *	6.134 *	106.00 *	33.62 *
London (b)	2.1615	——	3.766	8.851	1,773.00	4.21675	61.47	3.561	11.2185
Milan	818.55	1,774.40	470.48	200.23	——	420.25	28.844	497.65	158.45
New York	——	0.463	0.572	0.243	0.122 z	0.513	0.035	0.607	0.193
Paris	4.093	8.8695	234.98 *	——	4.9975 x	210.05 *	14.41 *	248.90 *	79.05 *
Zurich	1.64675	3.5593	94.40815 *	40.2284 *	8.20095	84.522 *	5.7935 *	——	31.73775 *
ECU	1.41988	0.655228	2.47272	5.81156	1,162.53	2.76621	40.3139	2.33499	7.35994

Dollar values: Belgian financial franc: 28.925 ; Canadian $: 1.1691 ; Danish kroner: 5.1892 ; Escudo: ; Fin. mark: 3.7415 ; Hong Kong $: 5.007 ; Irish £: 2.116 ; Israeli £: 32.605 ; Norw. kroner: 4.9965 ; Peseta: 66.22 ; Schilling: 12.54 ; Singapore $: 2.184 ; Swedish kronor: 4.1877 ; Yen: 249.20.

£ Sterling: 1.0235 Irish £.

(a) Commercial franc. (b) Amounts needed to buy one pound. (*) Units of 100. (x) Units of 1,000. (z) In U.S. cents

ECU: European Currency Unit, as quoted in Brussels.

Closing rates or official fixings for European centers; 2 p.m. EST rates for New York.

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(Continued from Back Page)

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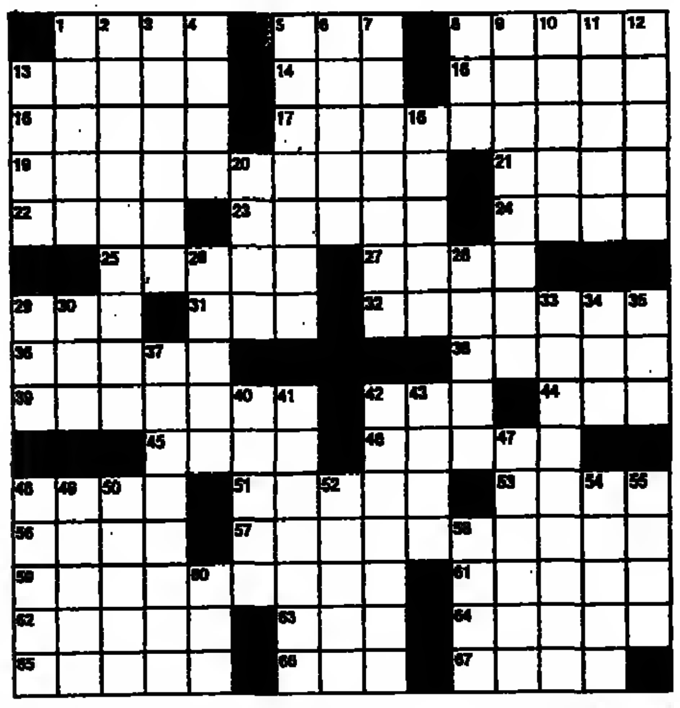
CROSSWORD
By Eugene T. Maleska



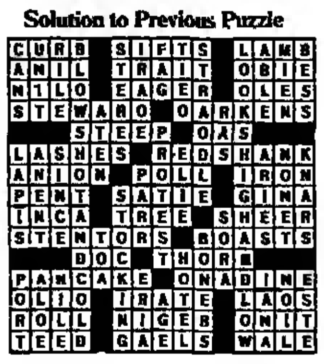
ACROSS

1 Stockyard stock
5 Morse code signal
8 Band or brace
13 Loose woman in "G.W.T.W."
14 Juan Perón's esposa
15 Austerity
16 Word with renewal or district
17 Temptation for eavesdroppers
19 Uses a postcard
21 French city
22 Grackles
23 Hawthorne's hometown
24 "Action" at Belmont
25 Pine sap
27 Length or breadth
29 Amorous sound
31 "Some—— meat . . .": Burns
32 Friml song
36 "—— by any other name . . ."
38 Source of betel nuts
39 Violent outburst
42 Point
44 The number chosen
45 Part of a foot
46 Poker term
48 With 29 Down, hipster
51 Antithesis of chaos
53 Word with room or chamber
56 Cacholong or hyalite
57 Evaluated anew
59 Servants
61 Bootblack's query
62 Common contraction
63 A top crop in S.D.
64 Relish
65 Household spirits
66 Like an elegy
67 Voyeur

DOWN

1 Yogi of baseball fame
2 Daniel Boone's quest
3 Slip away, as time
4 Where cattails flourish
5 Leave a 707
6 Be of use
7 Contain, as atomic power
8 Top record of Johnny Ray: 1952
9 Groom for Ms. Scraggs
10 Nimble
11 "Le Meules" painter
12 Kind of agent
13 Melville hero
18 Beat
20 Continent
26 Bishop Fulton J. ——
28 Italian violinmaker
29 See 48 Across
30 Iron in the raw
33 Shielding
34 Tanner coup
35 Swerve at sea
37 Creator of Mike Hammer
40 Contumely
41 Fundamentals of education
42 —— down (reprimanded)
43 Galley gear
47 Perform a step in a barn dance
48 Sea skeleton
49 "Die Fledermaus," e.g.
50 Western flick
52 Amu——, Aral Sea feeder
54 John Alexander is one
55 City of Judah
58 Existence
60 Part of "T.G.I.F."

Solution to Previous Puzzle

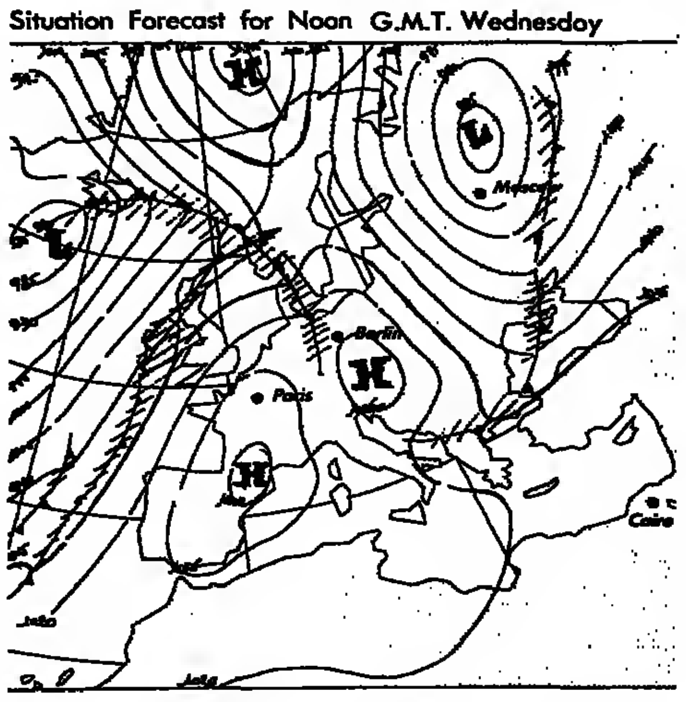


WEATHER

	C	F			C	F	
ALGARVE	15	59	Overcast	MADRID	12	54	Fair
AMSTERDAM	9	48	Overcast	MIAMI	27	81	Cloudy
ANKARA	9	48	Cloudy	MILAN	10	50	Overcast
ATHENS	13	55	Cloudy	MONTREAL	9	48	Cloudy
BEIRUT	21	75	Cloudy	MOSCOW	1	34	Snow
BELGRADE	3	37	Overcast	MUNICH	9	48	Rain
BERLIN	8	46	Cloudy	NEW YORK	12	54	Fair
BRUSSELS	8	46	Rain	NICE	16	61	Fair
BUCHAREST			N.A.	OSLO	5	41	Fair
BUDAPEST	4	39	Rain	PARIS	13	55	Overcast
CASABLANCA	23	73	Fair	PRAGUE	7	45	Cloudy
COPENHAGEN	7	45	Fair	ROME	14	57	Overcast
COSTA DEL SOL	15	59	Overcast	SOFIA	3	37	Overcast
DUBLIN	13	55	Overcast	STOCKHOLM	1	34	Overcast
EDINBURGH	5	41	Overcast	TEHRAN	16	61	Fair
FLORENCE	8	46	Overcast	TEL AVIV	25	77	Cloudy
FRANKFURT	8	46	Rain	TOKYO			N.A.
GENEVA	10	50	Overcast	TUNIS	15	59	Cloudy
HELSINKI	1	34	Snow	VIENNA	8	46	Rain
HOUSTON	24	75	Cloudy	WARSAW	5	41	Overcast
ISTANBUL	11	52	Cloudy	WASHINGTON	15	59	Fair
LAS PALMAS	24	75	Overcast	ZURICH	8	46	Overcast
LISBON	12	54	Fair				
LONDON	14	57	Overcast				
LOS ANGELES	20	68	Cloudy				

(Yesterday's readings U.S. and Canada at 1700 GMT, Houston and Los Angeles at 2300 GMT; all others at 1200 GMT.)

Situation Forecast for Noon G.M.T. Wednesday



Poetic Retribution in Britain: Cows Give Squeeze to Farmer

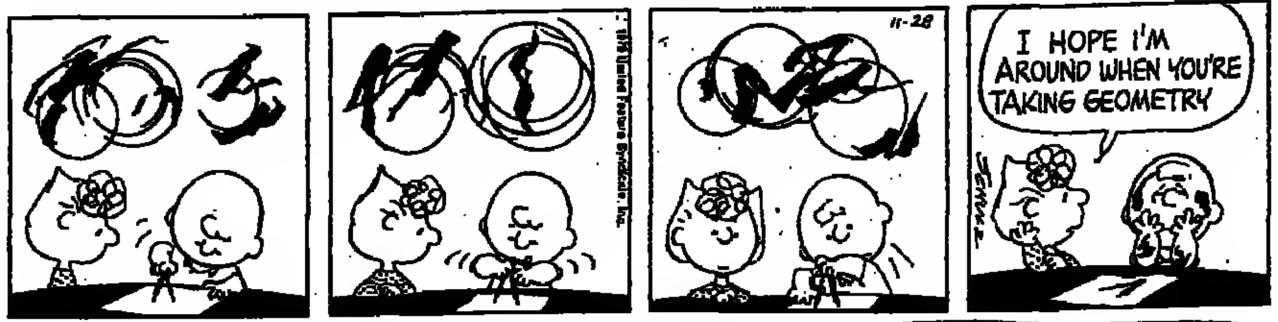
FISHGUARD, England, Nov. 27 (UPI) — Dairy farmer Robert Gates is selling his 60 milk cows for health reasons. He's allergic to them.

"It's incredible, but the hospital tests are conclusive," says Mr. Gates, 41, who grew up working on farms. "At first I laughed because I thought it was a joke, but it's true. I'm allergic to cows."

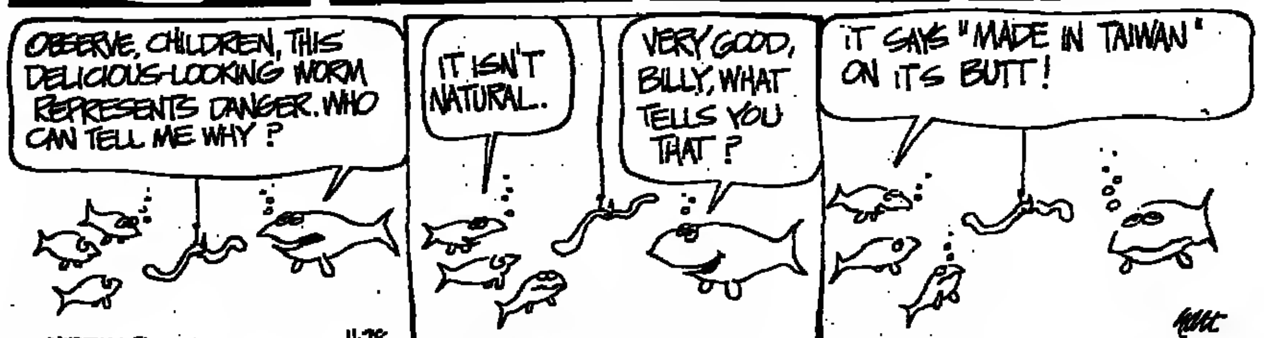
Mr. Gates said that he went to his doctor because he kept getting headaches, nosebleeds and skin blotches. The doctor ordered allergy tests and, when the results came in, suggested that Mr. Gates find a new line of work.

"It's all so crazy, but now I have begun to see the funny side of it," he said. "I guess it's like a jockey being allergic to horses."

PEANUTS

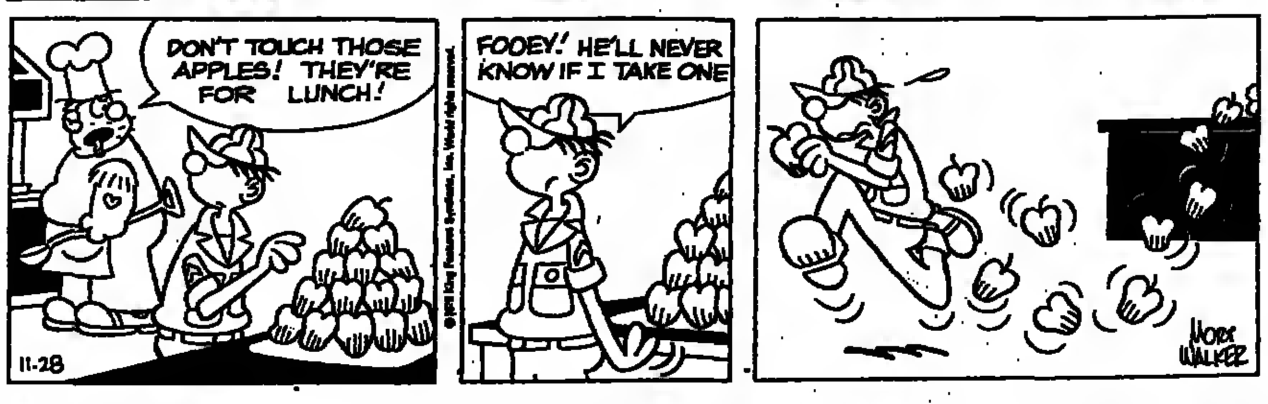


B.C.

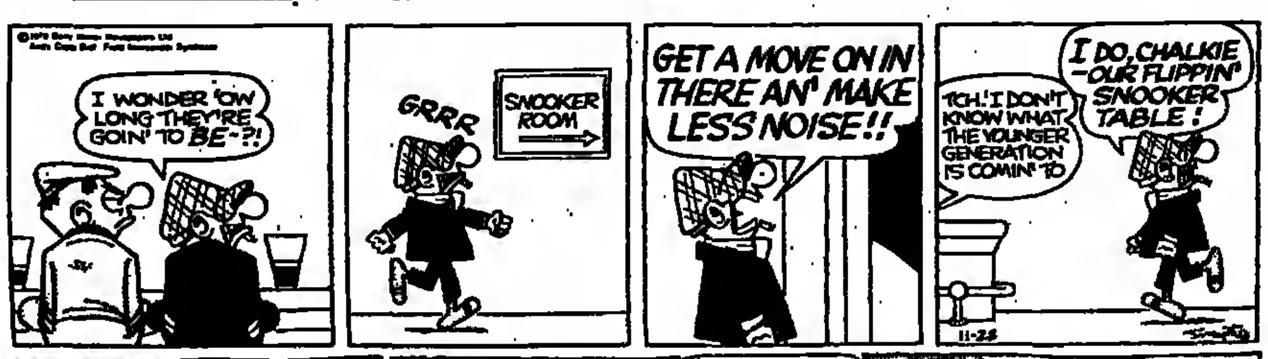


BLONDIE

BEETLE BAILEY



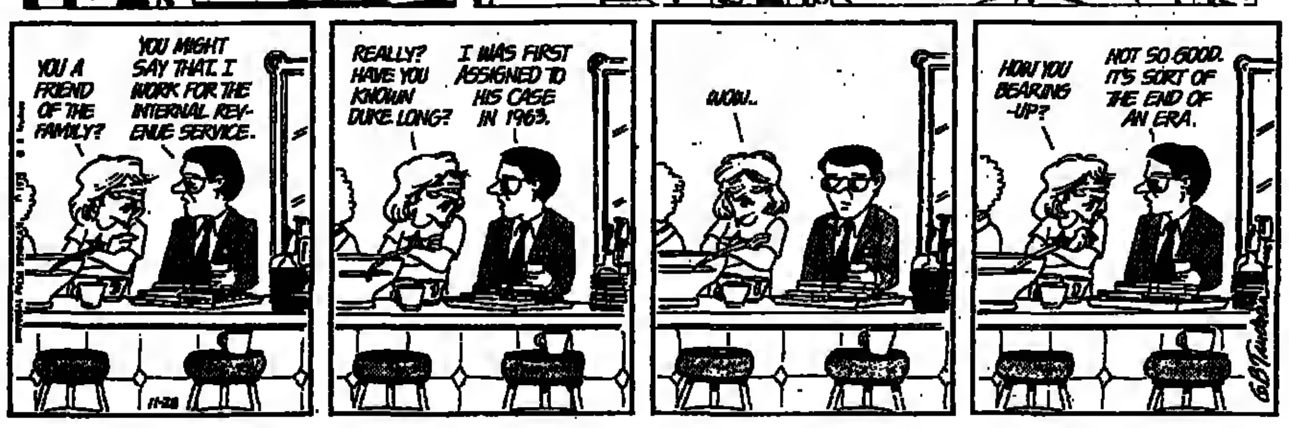
ANDY CAPP



WIZARD of ID

REX MORGAN

DOONESBURY



JUMBLE THAT SCRAMBLED WORD GAME by Henri Arnold and Bob Lee

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

RINED

MAORA

UPCOLE

ENBAUT

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Answer here: THE

(Answers tomorrow)

Yesterday's | Jumbles: EXUDE CROAK BEAUTY COMPEL
Answer: What too much celebrating might keep a man from becoming—CELEBRATED

DENNIS THE MENACE

"I GOT IN A GOOD FIGHT WITH TOMMY, MR. WILSON CHASED ME HOME AGAIN AND MARGARET SAID SHE HATES ME . . . THANK YOU, LORD, FOR A PERFECT DAY."

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"Printed in Great Britain"

BOOKS

THE BOER WAR

By Thomas Pakenham. Random House. Illustrated. 718 pp. $20.

Reviewed by John Leonard

THE literary Longfords do persist in scribbling. The Earl of Longford has written books on John Kennedy and pornography. His wife, Elizabeth, has written books on Wellington and Byron and Queen Victoria. One of their daughters, Antonia Fraser, has written books on Charles II, James I and Cromwell, plus two mysteries. Another daughter, Rachel Billington, has published seven novels, with an eighth due in the United States in January. Their son, Thomas Packenham, who wrote a splendid account of the Irish Rebellion of 1798, appears now with an equally splendid account of the Boer War, 1899-1902. All Longford books are long, and most of them are adopted by book clubs on both sides of the Atlantic. The sun never sets on British historiography.

Why should the Boer War be of interest? It should be of interest to the British because it required a force of 448,435 British and colonial soldiers 2½ years, £200 million and 436,000 horses, mules and donkeys to subdue 87,365 Boers on horseback, in covered wagons and in trenches. It took so long and cost so much — 22,000 British dead, between 25,000 and 35,000 dead Boers — because the Boers didn't play fair. They moved around a lot, the volk of the Veldt, and they used forced black labor to dig the trenches in which they hid with smokeless, long-range, high-velocity, small-bore rifles and machine guns. British cavalry were annihilated.

And, with Kaiser Wilhelm of Germany watching every British blunder, 1914 was just around the corner.

Vietnam Dress Rehearsal

The Boer War should be of interest to Americans because it was a near-perfect dress rehearsal for Vietnams yet to come: unavailing superior force against a guerrilla army that melts into the countryside, in a war no one understands. When a frustrated Kitchener, who would really rather be in India, builds blockhouses and strings them together with barbed wire; when he burns down farms; when he insists on a "body count," a monthly "bag" of dead and wounded Boers; and when he establishes disease-ridden concentration camps to contain Afrikaner women and children — we seem to be reading yesterday's headlines.

It was a war both sides deserved to lose, and those who lost the most — the despised blacks — belonged to neither side. They had been around as slaves in the original Dutch colony, before the British took over to guard their sea-lanes to India. If they were luckless enough to be the local Xhosas in 1815, the British and the Boers marched together against them. If they happened to be the Zulus in the north of Natal in 1834, when a British edict outlawed slavery in the Empire, they had to make way for, or be killed by, the Boers who refused to accept the edict and went on the Great Trek beyond the Orange River and into the Vaal. Generally speaking, they were "commandeered" to work in the mines at starvation wages and were not, of course, allowed to vote.

At issue, ostensibly, in 1899 was the refusal of the Boers in Transvaal and the Orange Free State to let the Uitlanders — white, non-Dutch immigrants — vote after five years residence. In fact, England was dragged into war by Alfred Milner, the high commissioner for British South Africa, who dreamed of a "white empire," and by the "goldbugs," Alfred Beit and Julius Wernher, who, along with the egregious Cecil Rhodes, wanted to secure the gold mines of the Rand for themselves. They were helped by the lamentable diplomacy-by-ultimatum in which the president of Transvaal, Paul Kruger, specialized. The British blunders began almost immediately, with mobilization and transport and communications and strategy. The Crown spent the first year of the war relieving the sieges of Ladysmith, Kimberley, Mafeking, before taking Johannesburg and Pretoria. It spent the year and a half chasing ghosts. Boers were supposed to have [lost], but 60 years later they dropped out of the Commonwealth, declared the Union of South Africa a re[public], and the blacks still can't vote.

Atrocities

Packenham, as might be expected, gained access to secret unpublished state papers, and private letters, as well as interviews with a number of survivors. The [military] history is superb. The behavior of both sides — destroying homes, shooting prisoners of war and — was appalling. A case is made for Sir Redvers Buller, the commanding officer of the First Army, who has been vilified by earlier historians, but Pakenham's heart clearly belongs to Boer generals like Christian de Wet and Botha.

And that — the romance of the Boers — is the trouble. We [see] Kruger in his top hat, looking like Geronimo; of the bush beards, the campfires of cow dung, covered wagons; of this trek, one by a nation of small farmers with rifles and Bibles; of ... Never mind that they paid for the war with forced labor in the mines, that they bought Mausers via a series of dynamite concessions to the Germans, they were merely inconveniencing the Xhosas and the Zulus in the way. Even now, as they build coal-gasification plants, they [have a] powerful myth to sustain them in their racism. It will be ugly.

John Leonard is on the staff of The New York Times.

Best Sellers

The New York Times

This list is based on reports from 1,400 bookstores throughout the U[nited States]. Weeks on list are not necessarily con[secutive].

FICTION

This Week

1 THE ESTABLISHMENT, by Howard Fast
2 JAILBIRD, by Kurt Vonnegut
3 TRIPLE, by Ken Follett
4 THE DEAD ZONE, by Stephen King
5 THE LAST ENCHANTMENT, by Mary Stewart
6 THE GREEN RIPPER, by John MacDonald
7 SOPHIE'S CHOICE, by William Styron
8 THE EXECUTIONER'S SONG, by Norman Mailer
9 MEMORIES OF ANOTHER DAY, by Harold Robbins
10 SHADOW OF THE MOON, by M.M. Kaye
11 THE MATARESE CIRCLE, by Robert Ludlum
12 WAR AND REMEMBRANCE, by Herman Wouk
13 THE FORMULA, by Steve Shagan
14 THE GHOST STORY, by Philip Roth
15 PASSION PLAY, by Jerzy Kosinski

NONFICTION

1 AUNT ERMA'S COPE BOOK, by Erma Bombeck
2 THE COMPLETE SCARSDALE MEDICAL DIET, by Herman Tarnower, M.D. and Sam Sinclair Baker
3 THE WHITE HOUSE YEARS, by Henry Kissinger
4 HOW TO PROSPER DURING THE COMING BAD YEARS, by Howard Ruff
5 THE RIGHT STUFF, by Tom Wolfe
6 THE PRITIKIN PROGRAM, by Nathan Pritikin
7 CRUEL SHOES, by Steve Martin
8 RESTORING THE AMERICAN DREAM, by Robert Ringer
9 JAMES HERRIOT'S YORKSHIRE, by James Herriot
10 SERPENTINE, by Thomas Thompson
11 ANATOMY OF AN ILLNESS, by Norman Cousins
12 THE OLD PATAGONIAN EXPRESS, by Paul Theroux
13 SECOND WIND, by Bill Russell and Taylor Branch
14 HOW YOU CAN BECOME FINANCIALLY INDEPENDENT BY INVESTING IN REAL ESTATE, by Albert Lowry
15 THE DAY THE BUBBLE BURST, by Gordon Thomas and Max Morgan-Witts

BRIDGE
By Alan Tru[scott]

A GREAT many tournament players are convinced, beyond reach of argument, that the computer that "deals" the cards in many events is out to get them. Whenever trumps are bunched in one hand or somebody has an eight-card suit, the computer gets the blame.

All objective tests show that the computer produces deals that, over the long haul, conform to mathematical expectations. Nevertheless, this mild form of paranoia persists.

The boot is really on the other foot. Human dealing is likely to bring about departures from the norm, especially if the deck is arranged in suits and the shuffle is inadequate.

The strange deal shown in the diagram is nearly, but not quite, the hand that results from dealing a deck that has been sorted into suits. It can be seen that several combinations, A-7, K-10-6, Q-9-5 and J-8-4 appear in at least three hands.

One would expect the deal to be passed out. In the replay, however, South opened as shown, and his partner pushed him to four spades.

South appears headed for the loss of one trick in each suit and perhaps more, but he had some help when West led a diamond. The declarer captured the jack with the queen and played A-7 of hearts. This was ducked to East's ten, and he returned a diamond to the ace.

A heart ruff established dummy's suit, and a diamond ruff re[turned] the lead to dummy. The spade [jack] was led and run around to the [ace] when East did not cover.

The contract was now [make]able, since dummy could be [entered] in the club suit for another [finesse] against East's trump queen. [In prac]tice, West returned the club, solving South's problem in th[at suit].

If East had covered the [spade] jack with the queen, the king [and] the ace would have followed. S[outh] could still have made the cont[ract] by leading the spade eight [from] dummy, pinning West's seven.

NORTH
♠ J 8 4
♡ Q 9 5 3 2
♢ A 7
♣ K 10 6

WEST
♠ A 7
♡ J 8 4
♢ K 10 6 3 2
♣ J 9 5

EAST
♠ Q 9 5
♡ K 10 6
♢ J 8 4
♣ A 7 3 2

SOUTH
♠ K 10 6 3 2
♡ A 7
♢ Q 9 5
♣ Q 6 4

East and West were vulnerable. The bidding:

East	South	West	No[rth]
Pass	1 ♠	Pass	2 [illegible]
Pass	2 ♠	Pass	4 [illegible]
Pass	Pass	Pass	

West led the diamond three.

Preseason Favorites In College Basketball

By Sam Goldaper

NEW YORK, Nov. 27 (NYT) — An informal sur-...y of pro scouts and college coaches lists these ...ams first in the preseason top 20 college basket-...ll polls:

OHIO STATE

...n Eldon Miller's first coaching season Buckeye ...tendance sunk to a new average low of 7,534. But the won-lost record improved from 9-18 to 16-11 ...r the 1977-78 season, attendance almost doubled. ...st season's team finished 19-12 and lines formed ...o days early when the season ticket allotment of ...000 went on sale on Nov. 3.

The turnaround was accomplished with Miller's ...ility in induce the state's outstanding talent to ...main home. It began with the signing of 6-1 Kel-...1 Ransey, one of the finest point guards in the ...tion and the lone senior starter this season. The ...llowing season, 6-8 Jim Smith, 6-2 Carter Scott ...d 6-11 Herb Williams were the prizes.

Last spring Miller returned to Cleveland and ...ned 6-8 Clark Kellogg, who averaged 28 points ...d 17 assists. Kellogg and Smith will start at for-...rd, and Williams will be the center. Ransey, a 21-...int scorer, and Scott form the backcourt.

"Unless I miss my guess, we will be able to do a ... of interesting things," said Miller. "This should ... the deepest and most versatile team we have had ... my years here. I'm excited about its possibili-...s."

INDIANA

The last two seasons have been tumultuous for the ...osiers and coach Bobby Knight. They began ...th controversy, player dismissals and sluggish ...arts and ended with heroic finishes, including a ...tory last March in the National Invitation Tour-...ment.

All five starters return, led by 6-5 Mike Wood-...n, whom Knight has described as "the greatest ...ayer in the history of the game who never received ...norable all-America mention." Woodson (21 ...ints a game) starts on a front line with 6-9 Ray ...lbert and 6-9 Landon Turner. Butch Carter and ...ndy Wittman are the starting guards.

But a spot in the starting backcourt will have to ... found for Isiah Thomas, who came to promi-...nce when he replaced Kyle Macy, whose jaw was ...oken by a Cuban player in the Pan-American ...mes. Thomas' quickness, leadership and penetra-...n are ingredients the Hoosiers have lacked.

PURDUE

Pro scouts feel that 7-1 Joe Barry Carroll, the Big ...n's top scorer as a junior (23.7), must learn to ...ke complete control of a game. If he does, he ...uld be the most dominant big man in the nation. ...ey have also said with the right team he could ...come a dominant pro player.

After the Boilermakers tied Michigan State and ...wa for conference honors, they were snubbed by ... NCAA and beaten by Indiana in the NIT final. ...ian Walker, Drake Morris and Arnette Hallman ... back from that 27-8 team. Their job will be to ... the ball to Carroll as often as possible.

Walker, in addition to his playmaking, will be ...ged to score more. Coach Lee Rose has also add-... two outstanding junior-college talents to bolster ... backcourt — Kevin Stallings and Lee Cumm-...s.

NORTH CAROLINA

...ew teams are as well prepared physically and ...ategically as the Tar Heels. Coach Dean Smith ...ays has his team ready to play sound basketball ... both ends of the floor and it has paid off with ...e seasons of 20-plus victories. A 10th such year ...in the making as Mike O'Koren heads a strong ...urning cast from a 23-6 team.

O'Koren, 6-7, enters his final season as one of the ...st all-round players in the nation. Although he ...rsed a bad ankle for much of last season, he still ... the team in rebounding and assists and was sec-...d in scoring (14.8)

Also back are 6-6 Al Wood, the top scorer (17.8), ...ve Colescott, the playmaker, and Rich Yonaker, ...ic Budko and Jeff Wolf who split time at center. ...meone must replace Dudley Bradley, the senior ...fensive hero and the Indiana Pacers' first-round ...aft choice. John Virgil, Jimmy Black and Mike ...pper are the top candidates.

James Worthy, 6-9, North Carolina's top high ...hool player, and 6-1 Jimmy Braddock, a 36-point ...orer, are prominent freshmen.

DUKE

...ven with the loss of Jim Spanarkel, the Blue ...vils have plenty of talent.

Everything starts with 6-11 Mike Gminski, the ...C player of the year, who averaged 18.6 points, ... rebounds and blocked 66 shots. But how Duke ...ll progress depends on the talented Gene Banks, ..., and 6-8 Kenny Dennard, who slumped last sea-...n.

Bob Bender, the senior playmaker, and Vince ...ylor, who played better as the season progressed, ... the guards. Depth should no longer be a factor. ...ach Bill Foster has recruited well from all parts ... the nation. The freshman are 6-8 Mike Tissaw, ... Metro-Washington player of the year; 6-7 Allen ...illiams, a 29-point scorer for West Virginia's state champion; 6-3 Chip Engelland, who scored 30.8 points in the Los Angeles area and Tom Emma, from Manhasset, N.Y.

VIRGINIA

Prospects for the Cavaliers have never been brighter, and it all began last May 31 when 7-3½ Ralph Sampson decided to attend Virginia. Sampson and 7-1 Sam Bowie, who chose Kentucky, were the top recruiting prizes.

Sampson, who averaged 29.5 points and 20.4 rebounds in his final high school season, joins coach Terry Holland's appealing cast. Among the 10 returning lettermen are 6-6 guard Jeff Lamp, the ACC's top scorer (22.9), and his backcourt mate, Jeff Jones, the leading playmaker in the conference. Lee Raker, a second team all-ACC, Terry Gates and Mike Owens, provide the experience up front. Besides Sampson, the other prominent newcomers are 6-8 Craig Robinson and Lewis Lattimor, a 6-9 junior college transfer.

"We're going to be very strong around the basket," said Holland. "Our question mark seems to be the backcourt. We have possibly the best backcourt in the ACC, but little experience behind it."

UCLA

The Bruins are without either a consistent, experienced leader or a young player capable of dominating a game. Still, the Bruins, under Larry Brown, their third coach in four seasons, will compete for the school's 14th consecutive conference championship despite the loss of three seniors, who were all first-round draft choices.

The Bruins hope the leader will be Kiki Vandeweghe, a 6-8 senior forward. "He is truly a gifted kid," Brown said, "and I want him to understand that. If he feels about himself the way I feel about him, he's good enough in be like Jamaal Wilkes and David Meyers." Vandeweghe (14.2) will return with Gig Sims, a senior center, James Wilkes, a senior forward, Darrell Allums, a senior center, and three sophomore guards, Tyren Naulls, Mike Sanders and Tony Anderson.

The Bruins' success will depend on the development of the highly recruited freshmen — Darren Daye and Cliff Pruitt, forwards, and Rod Foster and Michael Holton, guards.

KENTUCKY

The Wildcats return four starters. But that is only half the Kentucky story. The other half is the Wildcats' recruiting year, probably the best in the nation. Besides Sam Bowie, who averaged 31 points, the other prizes were Derrick Hord, a smooth 6-6 forward, and 6-3 Dirk Minnifield.

Kentucky not only has numbers, but youth. The only seniors are Kyle Macy, the floor general and a first-round draft choice of the Phoenix Suns as a future choice in his junior year, Jay Shidler, a part-time starter at guard and 6-7 LaVon Williams. After that the experience drops off, but not the talent.

Returning are Fred Cowan, a 6-8 junior, 6-6 sophomore, Chuck Verderber and 6-4 sophomore Dwight Anderson, all of whom played key roles last season. Macy and Bowie are the keys to success. "There is no phase of the game Kyle does not understand," said coach Joe B. Hall, who calls Macy, "a coach on the floor." Bowie provides the true center the Wildcats have lacked.

LSU

For the first time in more than two decades the Bengals fielded a team last season capable of winning their conference. In winning the Southeastern Conference regular-season title and posting a 23-8 mark, coach Dale Brown's team had size, quickness, shooters, ball handlers, rebounders and experience.

The return of 6-7 Durand Macklin, who missed last season with a broken foot after having established himself as a premier player as a sophomore, boosts the Bengal stock.

With Macklin, who averaged 19 points and 10.6 rebounds as a sophomore, paired with Dwayne Scales, 6-9, who averaged 19.4 points and 9.1 rebounds, LSU may have the nation's best forward combination. Combined with 6-9 Greg Cook, Macklin's replacement last season who returns to center, Jordy Hultberg, Ethan Marin and Willie Sims, seasoned guards, and two highly regarded freshmen, 6-8 Tyrone Black and 6-5 Howard Carter, the picture brightens.

TEXAS A & M

At the annual ritual where the coaches select the Southwest Conference champion, Texas A & M was the unanimous choice. A strange gesture since visions of the SWC title are dancing in more than one coach's mind.

The swing to the Aggies was caused by their imposing front line of Ryan Wright, Vernon Smith and Rudy Woods, 6-11. They played together on last season's 24-9 team and have at least one year of eligibility after this season. Also back are Dave Goff, David Britton and Tyrone Ladson, all experienced guards.

Woods was impressive until rival coaches discovered the Aggies lacked outside shooting and clamped a tight zone around the conference's top freshman. Outside shooting still may stand between the Aggies and national prominence and coach Shelby Metcalf hopes Jay McHugh, a freshman, is the answer.

(This is the second of a series of articles.)

United Press International

Tony Woodcock (No. 29), transferred from Nottingham Forest to F.C. Cologne for more than $1.4 million, practices with his new team at a workout that drew more than 3,500 soccer fans.

The Soccer Scene

Rogues Old and Familiar

By Rob Hughes

LONDON, Nov. 27 (IHT) — There are times when the same old names appear before the public eye with such monotony that one longs to scour the earth for something new, something youthful and full of hope. This is such a time.

Stay with us and we shall find our youth. First, alas, some causes of the present melancholy.

If depression is here, can Tommy Docherty be far behind? Recently that unfortunate court jester celebrated the anniversary of the High Court appearance that proved him a liar by entertaining the British press with more of the same.

Liars, Cheats and Worse

The media filled his glass and rushed out in make headlines of his wanton attempt to tar every manager in the game with the same discredited brush. It is essential, he claims, for all managers in be liars and cheats and hypocrites.

Drivel, from a man whom justice will overtake before long. But it has upset Docherty's fellow managers so much so that, seeing no move from the soccer authorities to bring the villain to heel, the "Secretaries, Managers, Trainers and Coaches Association," — his brethren so in speak — have asked him to explain his remarks. More headlines, one fears.

Meanwhile, back in the High Court, the case of Don Revie vs. the English FA (alias its professorial chairman, Sir Harold Thompson) has started off the dampest squib of the decade: petty remarks between two men whose antipathy is well known have been so bandied about that the judge, Mr. Justice Cantley, revealed his considerable boredom.

Thorpe and Witches

Mr. Justice Cantley, who presided over the Jeremy Thorpe affair and, last week, a case involving withcraft and the occult, ultimately gave the impression of a man who felt he was wasting his time and theirs.

Apparently he may go nn doing so for up to a fortnight as Revie continues to claim that the football association's ban for 10 years is illegal. And we, the sleepers beside the dock, we are supposed in go bananas over such a revelation as one that there will be "no attempt to whitewash" the fact that Revie lacks charm.

Docherty's was a dirtier case — and the more-entertaining by far — but the whole charade of so-called eminent men of sport demeaning themselves in public should be charged somehow with bringing the game into disrepute, the charge on which Review was hung, drawn and quartered and then banned. He will be back: you can smell it.

Also back, inevitably, is George Best, once the famous Georgie Boy whose public love affair with a soccer ball was truly daubed with genius.

Now that soccer in the United States has had its fill of his absenteeism and his wanton squandering of the years of his talent, he has flown back to us and, at age 33, is professing his undiminished desire to give us all six good years.

If only we could believe in him. If only he was 10 years younger. If only there wasn't a powerful odor of publicity overkill about his weekend runouts with Hibernian, the Scottish League club for whom he reputedly draws the crowds in return for a mere £2,000 a match. That is £2,000 a day really since Georgie — and Angie, his wife and now agent — fly up from London in play the Saturday game. Training? What, for Bestie?

I regret the cynicism. In common with most people who ever set eyes on Best in his prime, I regard his natural skill as the most communicative entertainment the game has produced. But at some stage responsibility has tn augment talent and if that happens now at 33. . .well, the apologies will come with relish and not through clenched teeth.

Sadly these are the headline hunters in Britain this week. And yet, need it be so?

Events of the last 12 months of madly escalating transfer fees and excessive wage demands in soccer have turned some managers to youth. George Petchey is a name only once before mentioned in this column, and that was in connection with Laurie Cunningham, the black London boy whom Petchey took off the scrap heap, in whom he instilled at least a measure of appreciation and respect, and who as a result fulfilled his potential so that he oow plays for the famous Real Madrid.

Petchey is a third division manager with Millwall in England. He is scarcely a manager at all, more a teacher. He collects young boys, he releases their talent and he tries, he really tries, in turn out good citizens.

He has a son of 19 who is older than half his first team; his youth team beat all the big clubs to the National Cup this year and three of his present squad — Tony Kinsella, Dave Mehmet and Kevin O'Callaghan — drew a bid of £1 million from the Tampa Bay Rowdies of the North American Soccer League this month.

The bid was bull; Petchey knew it, Tampa Bay knew it and, once they wiped the Stars and Stripes out of their eyes, the boys knew it. They have signed six-year contracts with Millwall and, significantly, one of them had the cheek to ask to see the manager's contract first.

I know what you're thinking. No, he wasn't trying to up his price. He wanted to try to ensure that George Petchey was staying at the club as long as he was. Kids, you know, are not slow to recognize sincerity in the game. . .even if the headliners make it such a rarity.

Red Smith

Now It's Million-Dollar Welterweights

NEW YORK, Nov. 27 (NYT) — Less than three years after he took a job as a professional fist fighter, 23-year-old Sugar Ray Leonard had earned something like $1 million. But by the end of this week it will be something like $2 million. If Ray Charles Leonard has a proper sense of the fitness of things, he will pause on his way to the bank, face Mecca and make obeisance in Muhammad.

From its earliest days, the prize ring has offered opportunities for financial security and sometimes wealth. Only in boxing could an honest man collect $990,445 in 45 minutes, as Gene Tunney did in his second bout with Jack Dempsey, Sept. 22, 1927. (Gene wrote Tex Rickard a check for the difference so the promoter could pay him a flat million.)

Today Tunney's purse is a fish cake. On March 8, 1971, the record was broken five times over when two fighters shared $5 million for a fight in Madison Square Garden. On Oct. 30, 1974, two men split $10 million down the middle for a match in Kinshasa, Zaire. In both cases, one of those involved was Muhammad Ali, the man who took the meaning out of money.

Champion Gets More

When Leonard encounters Wilfredo Benitez in Las Vegas, Nev., on Friday night, the welterweights will divide $2.2 million, with Benitez taking $1.2 million as the World Boxing Council champion and Leonard pulling down a flat million as challenger.

Nobody lighter than a heavyweight ever approached these figures. Indeed, no fight under the heavyweight division ever grossed half as much as these little guys will get in purses.

And their tryst is only one of three main events on a two-city television card. Their performance shares billing with a middleweight championship match between Vito Antuofermo and Marvin Hagler, who also meet in Las Vegas, and Victor Galindez' defense of the World Boxing Association light-heavy title against Marvin Johnson, which will be broadcast from New Orleans.

What accounts for this? How is it possible that two little guys who represent only one-third of a single program can collect more swag than Jack Dempsey or Joe Louis or Rocky Marciano ever made any night? Easy. It is because Sugar Ray Leonard has been elected by acclamation as the spiritual and artistic successor to Muhammad Ali.

Everything But...

That is a provision that Benitez covets, but it has eluded him. He seems to have all attributes necessary to a vest-pocket Ali — speed, skill, self-esteem and a high quotient of ham.

Although he is only 21, he has been a professional for seven years. He won a junior welterweight championship at 18 and the WBC welterweight title at 20. He is a polished boxer with exceptional balance, a switch-hitter who can shift to a southpaw stance and back again. He is undefeated.

He can and does mimic many of Ali's least attractive postures, mocking the opponent, patronizing the referee, winding up a threatening right hand windmill fashion, throwing in a soft-shoe shuffle.

Yet it is Leonard, not Benitez, who has won acceptance as the new Ali, 147-pound version. The difference is something to do with an inner quality loosely identified as "charisma," or power to attract. Unbeaten in 25 professional fights after winning the gold medal at 140 pounds in the 1976 Olympics, Leonard looks like a boxer of high promise, with speed, agility and a good punch. It is something else that attracts the crowds — "mystique," they call it.

Leonard draws crowds when he works out in Caesars Palace Sports Pavilion in Vegas. When he and his brothers finish their exercises they play table tennis or shoot baskets and draw more crowds. As Angelo Dundee, his manager-trainer, puts it, comparing his appeal with that of other fighters: "Anybody else is like a funeral parlor."

A Way With Words

After 19 years in Ali's corner, Angelo is an authority on deities. He uses words thoughtfully, too. When literary pooh-bahs were writing about Ali's "luminosity," a friend asked Angelo: "Is your guy luminous?"

"Opaque," Angie said. "Can't see through him. Luminous? Lights up a room when he's in it, yes. Warmth, yes. But opaque. You can't see through this kid."

Although the United States won five gold medals, a silver and a bronze in the 1976 Olympics and Leonard didn't score a knockout, he laid it over the other winners like ice cream over hay. He took such a hold on the imagination of the television public, or perhaps of some CBS-TV vice president, that his very first match as a professional — a six-round caper with one Luis Vega in the Baltimore Civic Center — brought him $40,000.

For his first pro fight with Jack Kracken in the Bacon Casino on Chicago's South Side, Joe Louis received $59. His 26th was with Paolino Uzcudun and it brought him $39,612. Leonard's million-dollar shot with Benitez is his 26th. It will be his 20th on television.

Further comparisons: Dempsey's biggest purse was $717,000 for his first bout with Tunney, in Philadelphia in 1926; Louis' best payday was June 19, 1946, when he took $625,916 out of his second match with Billy Conn. (That was the first time Mike Jacobs or any other promoter had the gall to price ringside seats at $100.) Rocky Marciano's top score was $328,374, for knocking out Archie Moore in Rocky's last fight.

When Ed (Too Tall) Jones recently collected $72,000 for his first bout, Leonard was asked how he felt about his record being broken. "I think it's great," he said. "It speaks well for boxing."

Sugar Ray's parents are with him in Vegas, as are his brothers, Kenny and Roger. Cousin Odell Leonard spars with him. Roger is on Friday's undercard. Ray's mother is the camp cook. She also plays piano but not this time around. Seems Caesars Palace has suites with kitchen and suites with piano but no suites with both.

Benitez got a bloody nose sparring the other day. His father said something in him and when he turned to listen, Alejandro Falu popped him. A boy should always pay attention to his parents.

NBA Standings

EASTERN CONFERENCE

Atlantic Division

	W	L	Pct.	GB
Boston	15	4	.789	—
Philadelphia	16	7	.696	1
Washington	9	9	.500	5½
New York	10	11	.476	4
New Jersey	7	15	.318	9½
Central Division				
San Antonio	12	9	.571	—
Atlanta	13	10	.565	—
Houston	10	10	.500	1½
Cleveland	10	14	.417	3½
Indiana	10	14	.417	3½
Detroit	7	13	.350	4½

WESTERN CONFERENCE

Midwest Division

	W	L	Pct.	GB
Milwaukee	16	6	.727	—
Kansas City	11	13	.458	6
Denver	8	15	.348	8½
Chicago	6	17	.261	10½
Utah	2	18	.100	13
Pacific Division				
Phoenix	14	8	.667	—
Portland	16	8	.667	—
Seattle	14	7	.667	½
Los Angeles	15	8	.652	½
Golden State	10	12	.455	5
San Diego	9	14	.391	6½

Monday's Result

Philadelphia 113, Indiana 112 (Bibby 21, Dawkins 20; M. Johnson 20, Bantom 27).

NBA Leaders

Scoring

	G	FG	FT	Pts	Avg
Free, SD	19	201	170	572	30.1
Gervin, SA	20	235	113	590	29.5
Dantley, Uta	18	203	115	521	28.9
Malone, Hou	20	184	157	525	26.3
Erving, Phi	22	224	129	577	26.2
Johnson, Mil	21	197	110	504	24.0
Abdl-Jbbr, LA	23	205	106	516	22.4
Birdsong, KC	24	220	95	538	22.4
Williams, NY	21	186	93	466	22.2
Lanier, Det	20	175	92	442	22.1

Rebounding

	G	Off	Def	Tot	Avg
Malone, Hou	20	152	164	316	15.8
Nater, SD	23	97	234	331	14.4
Unseld, Was	18	61	181	242	13.4
C.Jones, Ph	22	81	195	276	12.5
Parish, GS	22	82	182	.264	12.0

Assists

	G	No.	Avg
Archibald, Bos	19	171	9.0
Porter, Was	18	161	8.9
Richardson, NY	21	171	8.1
Cheeks, Phi	21	165	7.9
Williams, NY	21	160	7.6

NHL Leaders

Player, team	GP	G	A	Pts
Dionne, Los Angeles	22	20	26	46
Simmer, Los Angeles	22	18	18	36
Lafleur, Montreal	22	18	17	35
Taylor, Los Angeles	22	15	20	35
Trottier, NY Islanders	19	13	20	33
Gare, Buffalo	22	13	18	31
Gretzky, Edmonton	20	9	21	30
MacDonald, Edmonton	21	15	14	29
Larouche, Montreal	19	15	13	28
Hedberg, NY Rangers	22	14	13	27
Perreault, Buffalo	22	14	13	27
K. Nilsson, Atlanta	22	13	14	27
Ratelle, Boston	21	11	16	27
U. Nilsson, NY Rangers	20	8	19	27
Gorine.				

China Affirms Plan for Teams At Olympics

PEKING, Nov. 27 (UPI) — China said today that it is in the Olympic Games to stay despite Taiwan's objections, and announced it was sending 20 athletes in the winter competition in Lake Placid, N.Y.

Sung Zhong, secretary general of the Chinese Olympic Committee, said at a news conference that Taiwan could not succeed in its lawsuit filed in Lausanne, Switzerland, on Nov. 15 against the International Olympic Committee for insisting that Taiwan change its flag and national anthem to take part in Olympic activities.

"There will be nn obstacle on the way of our participating in the Olympic winter games at Lake Placid in February and at the summer games in Moscow in July," he said.

Informed that Taiwan sports officials indicate Taiwan will boycott the Olympics if it loses its court fight, he said, "We hope they will reconsider this matter."

He added that China will participate in five sports in the Lake Placid competition: speed skating, figure skating, alpine and cross country skiing and the biathlon. China will send 20 athletes and 20 coaches, trainers and officials, he said.

In Moscow, China will enter 15 sports including track and field, swimming, diving, water polo, weightlifting, shooting, cycling, archery, gymnastics, fencing, wrestling, rowing, canoeing, soccer, basketball, volleyball and handball.

Transactions

BASEBALL

American League

TORONTO BLUE JAYS—Sent Mike Willis, pitcher, to Syracuse of the International League.

National League

SAN DIEGO PADRES—Signed John Curtis, free-agent pitcher, to a five-year contract.

FOOTBALL

National Football League

NEW YORK GIANTS—Placed Don Lloyd, linebacker, on the injured reserve list.

HOCKEY

National Hockey League

BOSTON BRUINS—Announced retirement of Dennis O'Brien, defenseman.

DETROIT RED WINGS—Sent Perry Miller, defenseman, to Adirondack of the American Hockey League. Recalled Jim Korn, center, from Adirondack.

NEW YORK RANGERS—Sent Doug Soetaert and John Davidson, goalies, to New Haven of the American Hockey League. Recalled Steve Baker, goalie, from New Haven.

ST. LOUIS BLUES—Sent Floyd Thomson, left wing, to Salt Lake City of the Central Hockey League.

TORONTO MAPLE LEAFS—Called up Bruce Boudreau, center, from the New Brunswick Hawks of the American Hockey League.

WASHINGTON CAPITALS—Returned Tim Coulis, right wing, to the Hershey Bears of the American Hockey League.

COLLEGE

WILLIAM & MARY—Fired Jim Root, head football coach.

WYOMING—Fired Bill Lewis, football coach.

Zorn Leads Seahawk Romp Over Jets

...ATTLE, Nov. 27 (UPI) — Jim ... passed for three touchdowns ...set a club record with 14 con-...ive completions to lead the ...le Seahawks to a 30-7 victory ... the New York Jets in National ...ball League action here last ...

...rn hit Steve Largent with a 14-... touchdown pass in the second ...ter, then added scoring throws ... yards to Sherman Smith and ...ards to Sam McCullum in the ... quarter.

...e touchdown pass to Largent ...ed Zorn's completion string, ...h also included his second scor-...pass. The 14 straight comple-... eclipsed a club record of 11 Zorn set five weeks ago against Houston. The league record for consecutive passes completed is 17, set by Bert Jones of the Baltimore Colts in 1974.

Zorn, who was replaced early in the fourth quarter, finished with 25 completions in 32 attempts for 285 yards.

Efren Herrera kicked three field goals for the Seahawks: 49, 45 and 42 yards.

The Jets scored midway through the third quarter when Kevin Long capped a 77-yard march with a 1-yard run to make it 23-7.

Seattle, 7-6, kept its slender playoff hopes alive with its fifth victory in the last six games. The Jets lost their third straight and fell in 5-8.

Seattle capitalized on the Jets' kicking game to take a 16-0 lead at halftime. Herrera's second field goal, a 42-yard kick with 8:25 left in the second period, was set up by a 19-yard punt by New York's Chuck Ramsey to the Seattle 49.

Ramsey's next punt attempt was blocked by Cornell Webster and recovered by Seattle on the Jets' 14. After two plays gained no yardage, a scrambling Zorn hit Largent deep in the end zone.

Dave Jacobs, the Jets' rookie kicker who was signed a week ago, missed in his only field-goal attempt. A 42-yard effort after New York drove to the Seahawk 25 on the opening march of the game was wide to the left and his 45-yard kick through the uprights with 1:57 left in the second period was nullified by a holding penalty.

Zorn hit six successive passes, four of them to Smith, to set up Herrera's third field goal on the final play of the first half.

The Seattle quarterback led the Seahawks on a pair of 71-yard scoring marches in the third period capped by the touchdown passes to Smith and McCullum.

In between those drives, New York got its only score of the game. The Jets threatened twice in the final period. But with a fourth-and-1 at the Seattle 4-yard line with 13:03 to go in the game, Scott Dierking was held in no gain.

Then, after Seattle's first punt of the game, quarterback Richard Todd led New York to a first down at the Seattle 21 but four straight passes fell incomplete and the drive ended.

NFL Standings

AMERICAN CONFERENCE

East

	W	L	T	Pct.	PF	PA
...ngland	8	5	0	.615	334	237
...	8	5	0	.615	250	196
...o	7	6	0	.538	249	222
...ts	5	8	0	.385	253	316
...ore	4	9	0	.308	216	304
Central						
...rgh	10	3	0	.769	334	225
...on	10	3	0	.769	315	274
...land	8	5	0	.615	319	310
...nati	3	10	0	.231	290	344
West						
...iego	10	3	0	.769	333	211
...r	9	4	0	.692	248	201
...nd	7	6	0	.538	280	257
...e	7	6	0	.538	300	288
...s City	5	8	0	.385	191	231

NATIONAL CONFERENCE

East

	W	L	T	Pct.	PF	PA
...elphia	9	4	0	.692	292	231
...	8	5	0	.615	284	255
...ngton	8	5	0	.615	248	225
...ants	6	7	0	.462	203	225
...is	3	10	0	.231	259	284
Central						
Tampa Bay	9	4	0	.692	263	209
Chicago	7	6	0	.538	235	229
Minnesota	6	7	0	.462	205	288
Green Bay	4	9	0	.308	193	250
Detroit	2	11	0	.154	189	275
West						
New Orleans	7	6	0	.538	286	269
Los Angeles	7	6	0	.538	248	244
Atlanta	4	9	0	.308	238	307
San Francisco	1	12	0	.077	254	365

Monday's Result

Seattle 30, N.Y. Jets 7

Thursday's Game

New England at Miami

Sunday's Games

Chicago at Tampa Bay
Baltimore at N.Y. Jets
Cincinnati at Pittsburgh
Denver at Buffalo
Detroit at Philadelphia
Green Bay at Washington
Houston at Cleveland
San Francisco at St. Louis
Seattle at Kansas City
Atlanta at San Diego
Minnesota at Los Angeles
N.Y. Giants at Dallas

Monday's Game

Oakland at New Orleans

College Polls

NEW YORK, Nov. 27 (AP) — The top 20 teams in the Associated Press college football poll, with first-place votes in parentheses, records and total points. Points based on 20-19-18-17-16-15-14-13-12-11-10-9-8-7-6-5-4-3-2-1:

1.Alabama (34)	10-0-0	1,193
2.So.California (12)	10-0-1	1,142
3.OhioSt. (13)	11-0-0	1,141
4.FloridaSt.	11-0-0	997
5.Oklahoma (1)	10-1-0	963
6.Texas (1-3)	9-1-0	934
7.Nebraska	10-1-0	850
8.Arkansas (1-3)	10-1-0	848
9.BrighamYoung (1)	11-0-0	760
10.Houston (1-3)	9-1-0	751
11.Pittsburgh	9-1-0	611
12.Purdue	9-2-0	544
13.x-Washington	9-2-0	454
14.Auburn	8-3-0	392
15.Michigan	8-3-0	376
16.Tulane	9-2-0	254
17.SouthCarolina	8-3-0	246
18.Clemson	8-3-0	122
19.PennSt.	7-3-0	114
20.Baylor	7-4-0	77

x—Includes forfeit by Arizona State.

NEW YORK, Nov. 27 (UPI) — The United Press International Board of Coaches top 20 college football ratings, with first-place votes and won-lost records in parentheses:

1. Alabama (25) (10-0)	480
2. Sou. Calif. (4) (10-0-1)	447
3. Ohio State (3) (11-0)	433
4. Oklahoma (10-1)	358
5. Florida State (11-0)	338
6. Texas (9-1)	337
7. Arkansas (10-1)	275
8. Nebraska (10-1)	267
9. Houston (9-1)	247
10. Brig. Young (1) (11-0)	237
11. Pittsburgh (9-1)	168
12. Purdue (9-2)	120
13. Washington (9-2)	80
14. Michigan (8-3)	60
15. Tulane (9-2)	28
16. South Carolina (8-3)	34
17. Clemson (8-3)	13
18. Baylor (7-4)	10
19. Temple (9-2)	8
20. Penn State (7-3)	4

Twins', Blue Jays' Rookies Share Award

NEW YORK, Nov. 27 (AP) — Third baseman John Castino of the Minnesota Twins and shortstop Alfredo Griffin of the Toronto Blue Jays were named joint winners yesterday of the American League award for rookie of the year.

Castino and Griffin each received seven votes from a 28-member baseball writers' committee. Relief pitcher Mark Clear of the California Angels, the only rookie in either league named for the midseason All-Star Game, finished third with five votes.

Reliever Ron Davis of the New York Yankees, first baseman Pat Putnam of the Texas Rangers and pitcher Ross Baumgarten of the Chicago White Sox received three votes each.

This was the first time the American League rookie balloting finished in a deadlock. In 1976, pitchers Pat Zachry, then with Cincinnati, and Butch Metzger, then with San Diego, finished tied for the National League's rookie award.

Griffin, a 21-year-old switch hitter, batted .287 for the Blue Jays, who acquired him from the Cleveland Indian organization in a trade last winter. He set club records with 179 hits and 20 stolen bases.

Castino, 25, won the Twins' third base job at midseason and batted .285 with 52 runs batted in.

Clear, who had won 10 games by the All-Star break, finished with an 11-5 record and 14 saves; Davis had a 14-2 record with 9 saves; Baumgarten was 13-8 with a 3.53 earned run average and Putnam batted .277 with 18 home runs.

Griffin is the first player with Toronto's expansion franchise to win the rookie award. Castino is the third Minnesota winner, following Tony Oliva in 1964 and Rod Carew in 1967.

AP

Alfredo Griffin

Previous Winners

1978—Lou Whitaker, Detroit
1977—Eddie Murray, Baltimore
1976—Mark Fidrych, Detroit
1975—Fred Lynn, Boston
1974—Mike Hargrove, Texas
1973—Al Bumbry, Baltimore
1972—Carlton Fisk, Boston
1971—Chris Chambliss, Cleveland
1970—Thurman Munson, New York
1969—Lou Piniella, Kansas City
1968—Stan Bahnsen, New York
1967—Rod Carew, Minnesota
1966—Tommie Agee, Chicago
1965—Curt Blefary, Baltimore
1964—Tony Oliva, Minnesota
1963—Gary Peters, Chicago
1962—Tom Tresh, New York
1961—Don Schwall, Boston
1960—Ron Hansen, Baltimore
1959—Bob Allison, Washington
1958—Albie Pearson, Washington
1957—Tony Kubek, New York
1956—Luis Aparicio, Chicago
1955—Herb Score, Cleveland
1954—Bob Grim, New York
1953—Harvey Kuenn, Detroit
1952—Harry Byrd, Philadelphia
1951—Gil McDougald, New York
1950—Walt Dropo, Boston
1949—Roy Sievers, St. Louis

AP

John Castino

Observer

Spying P's and Q's

By Russell Baker

NEW YORK — It was just another day in the British Secret Service, and it began, as so many days did, with an appointment at Buckingham Palace. Her Majesty was surprised to find that her audience was with Q.

"I was expecting the chief of the Secret Service," she said.

"You behold him io myself, Ma'am," said Q.


Baker

"Indeed? Philip, who was well read in the literature, and most particularly in the works of Mr. Ian Fleming, told me to expect M, the crusty old seadog," said the queen.

"M has been dead for seven years, Ma'am," said Q. "We suppressed the news under authority of the Official Secrets Act."

"And what of N?" asked the queen. "What of O? What of P, the crusty old land dog?"

"All demoted," said Q. "N was discovered to be in the pay of Israeli intelligence. O was a double agent for the Korean CIA. And P, the crusty old land dog, was selling secrets to the United States Army K-9 Corps."

* * *

"I suppose they were acting out of the usual high-principled obligatioo to their own integrity," said the queen.

"And you," said the queen, "are Q, the crusty old air dog."

"Not air dog, Ma'am. Fair dog. The crusty old fair dog. I have won the blue ribbon five years running at the Bristol Fair for Secret Service pointers, having pointed more foreign intelligence agencies to British secrets than any other competitor."

The queen showed a slight hint of exasperation. To show outright irritation would be going too far for a constitutional monarch. "Why do we have to point foreign spies to our secrets?" she asked Q. "Isn't it cheaper to let the newspapers publish them?"

"Out of the question, Ma'am. That would violate the Official Secrets Act. While it is expensive maintaining a large bureaucracy to get out the secrets, it keeps us within the spirit of the law."

"Well, get on with it, Q," said the queen. "Have you found out what secrets my art adviser passed to the KGB?"

"Rather awkward, I'm afraid, Ma'am," said Q. "Moscow is now armed with informatioo that Your Majesty has uttered disparaging remarks about the paintings of Winslow Homer, Giotto and Rembrandt. This can make a lot of mischief among our American, Italian and Dutch painting allies. Moreover, the Duke of Edinburgh's private observation that Picasso couldn't paint a horse fit for a Polish peasant to plow potatoes with can, if circulated by the KGB, damage us very badly among modernist painters throughout NATO, oot to mention Poland."

The queen did oot offer an apologetic smile. "That's water over the dam, Q," she said. "You can't expect us to keep our lips buttoned day and night around here just because the Secret Service insists on stocking the palace payroll with its disaffected spies."

* * *

"Quite so," murmured Q, "but Your Majesty must appreciate that the double agents we send you are all from the very best schools. Which brings me to the point of today's visit. To put it as delicately as possible, Ma'am, Prince Charles has been sounding off a bit undiplomatically over the dinner table lately."

"The Prince of Wales," said the queen, "like all true gentlemen, oever discusses politics at dinner."

"Not politics," said Q. "Word has passed to the KGB that he has refused, somewhat vociferously, to eat peas prepared for him in the American manner and, moreover, has sent them back to the kitchen uneaten."

"I shall make the prince eat his peas oo pain of being denied his teatime scone," said the queen.

"We are grateful for your cooperatioo in these difficult times," said Q, backing toward the exit.

"Tell me, Q," said the queen, "are you also an agent for the KGB?"

"I should prefer not to answer that," said Q, "as I have reason to believe Your Majesty is in the pay of the British governmeot."

The queeo rose and opened her mouth as if to deny the allegatioo but thought better of it and sat down as he departed.

Jules Feiffer

The Ever-Dissenting Cartoonist Is Still Drawing on American Angst at Age 50

By Henry Allen

WASHINGTON (WP) — Jules Feiffer, the cartoonist, drops his pencil ioto the great mulch of hotel-room litter around his bed, thereby compounding the tone of vexed surprise he's aiming at someone on the other end of the phone he's speaking into.

"You make them up! That's why they're called ideas!" he is saying, while he searches fruitlessly over the rug for the pencil.

It's nice to see that Feiffer, at 50, has yet to acquire equanimity, either intellectually or physically. He is the original push-the-pull-door man, in fact, always turning the wrong way when he gets on the elevator so he has to lunge for the button panel; then he gets off on the wrong floor and scurries back; and when he loses a collar stay, he blames it on "fascism" (adding a small chuckle).

Still Mr. Hip

And intellectually, he is still Mr. Hip. Urban, Leftist, Intellectual, Angst-ridden, Identity Crisis, as defined over 23 years in 11 books of cartoons, two novels, one memoir, three plays, three screenplays and one collection of drawings.

At breakfast, he is handed a review of his latest book, a cartoon oovel entitled "Tantrum" (Knopf) about a middle-aged man who wills himself back to the age of 2.

"No," he says with a shy, voracious smile. "I'll read it later."

Then: "Is it good? Is it?"

It's good.

Feiffer grabs the review and reads with slow fascination, chuckling in a way he might have learned from word balloons in comics, which he started reading in the Bronx when he was 4.

"Heh heh," he says, just like that. "Heh heh."

As one of the rebels against Eisenhower's 1950s, Feiffer, first appearing in the Village Voice in 1956, became not only a creator of a generatioo but a spokesman for it: alienated, socially concerned, self-absorbed, dicing with the terrors of responsibility, atomic warfare, love, the FBI, neurosis and so on.

Even in 1979, he retains a touch of Bohemian cachet in his navy-blue turtleneck. He is wonderfully bald, and blinks a lot behind rectangular, wire-rimmed glasses.

And he still worries about reviews. Reading this one, he flinches and blushes and finally beams. After all, he had oot intended for life to be as adventurous as it's been.

All the Gloves Off

"Originally I wanted to be a comic-strip artist," he says. "I loved that fantasy world. But the Army put me in touch with the kind of rage which was uncontrollable. I was in from '51 to '53. I didn't go to Korea, no, but that didn't make the fascism of the Army any easier to take, the mindless brute power, power with all the gloves off."

The Army had him working in an animated film unit. He ended up in a publicatioo unit, where he refused a promotion to private first class. "I didn't want to accept anything from the Army," he says.

And out of the experience came his first big success, a cartooo story called "Munro," about a 4-year-old who is drafted by mistake. "I wrote 'Munro' so I wouldo't go crazy," Feiffer says. "I tried to sell it all over New York. But it wasn't for kids, and I didn't have a name as a cartoonist with adults."

In 1956, Feiffer became a hit with the oewly founded Village Voice. He's been drawing his social and political satires for it ever since, and now he's syndicated in "a couple of hundred" newspapers and magazines.

Drawing from "Tantrum."

"Back then, comedy was still working in a traditioo that came out of World War I," he says. "You couldn't say anything critical about America, you couldn't join a rent strike without being accused of being subversive. Humor became a natural outlet."

So Feiffer gave us characters such as Bernard Mergendeiler, anxiety-prooe and always failing with women; Passionella, the chimney sweep who became a famous movie star by acquiring the largest breasts in the world; Harold Swerg, who was better than anybody at anything but he wouldn't do it — "he just wanted to be a filing clerk" — and Walter Fay and his lonely machine — "he created a machine that would do anything he wanted, but he rejected it when it got too possessive."

Narrow Audience

"I'm talking, I suppose, for a very narrow segment of American society — people who don't form policy, but form dissension to that policy," Feiffer says.

Breakfast finished, Feiffer discovers he's running late for a Hadassah luncheoo he's supposed to address. We continue in a taxi.

Like most Americans in 1979, Feiffer is disappointed: "I was a sucker like everyone else. I thought things were going to get better. There once used to be a thing called the Americao dream."


Douglas Chevalier, The Washington Post
Cartoonist Feiffer: "Is it good? Is it?"

He is still prone, he says, to "periods of overwhelming guilt, and a lot of excess nonsense. I've been in psychotherapy for 15 years or so. I find it terrific. It does everything but cure me, thank God. I always thought that at 50 one would be able to handle problems with equanimity. I can handle them, I've found, but not with equanimity."

A Pair of Umbrellas

And the big problems, the same ones he started with, remain.

"How can anybody say that the left wing won when the rich own what they've always owned, when the split among the classes is as hard-line as ever? There's a national acceptance of racism now, rather than the revulsion we had in the '60s. We're talking under two umbrellas: Life is unfair, and you can't throw dollars at problems. You can throw dollars at the Army and the Pentagon, but not at the poor. Nixon won!"

Feiffer is asked if he didn't once create a character called Marsha, the Enormous Mother.

"Oh yes, that was the 'Hostileman' series I did for Playboy," he says as a Hadassah matron lays a copy of "Tantrum" in his hands.

"Dedicate it to . . ." she begins.

"Anybody got a pen?" Feiffer roots through his pockets till somebody else gives him one. He autographs the book and gives the pen back to a woman standing next to him.

"It's oot mine," she says with a smile that looks as if she's been understanding Jules Feiffer all of his life.

PEOPLE: Honored Motorcyclist Makes a Roaring Entry

His coattails flying, former world motorcycling champion **Phil Read** roared up to Buckingham Palace on a souped-up motorbike to be honored by **Queen Elizabeth II** for "services to motor racing." Read, 41, received a Member of the Order of the British Empire medal from the queen in the formal investiture ceremony. His wife, **Angie**, who is expecting a baby, arrived by car . . . Queen Elizabeth is unlikely to forget Monday night's Royal Variety Performance at the Theatre Royal in London. No argument, it was a glittering show, with British and U.S. stars in excellent form and obviously pleasing the queen. But the announcer, actor **James Mason**, forgot the names of Bolshoi Ballet stars **Vladimir Vasiliev** and **Ekaterina Maximova**, although he correctly reported that they would dance the pas de deux from "Spartacus." Mason had to bend down across the footlights and ask orchestra leader **Gordon Rose** for the dancers' names. Some performers suffered microphone trouble, and there were one or two unexplained bangs and crashes offstage, as well as a bit of crackling from the sound equipment — mishaps most rare at the historic Theatre Royal.

* * *

Richard Leakey, 34, a noted anthropologist and director of Kenya's national museums, is undergoing tests in a London hospital in preparation for a possible kidney transplant from his younger brother, **Philip**. Hospital sources said there will be several days of tests before doctors decide when — and if — the transplant can take place. Philip, 30, will arrive from Kenya for the final tests when he is summoned by the doctors. Richard and Philip are the children of **Louis** and **Mary Leakey**, whose excavations at Olduvai Gorge in Tanzania pointed to East Africa as the cradle of mankind . . . **Rudolf Hess**, a former deputy of **Adolf Hitler**, says that the prospect of surgery makes him nervous, so he's putting off a doctor's recommendation that he undergo a prostate operation. Hess, 85, told officials at the Spandau Prison in West Berlin — where he is the only prisoner — that he wants to get his family's approval first. Diplomatic sources say Hess' ailment was discovered during a routine checkup two months ago.

* * *

Rock singer **Linda Ronstadt** is hosting a $1,000-a-couple fund-raiser for Gov. **Jerry Brown** of California at her beachfront home in Malibu, Calif., on Saturday — the same night Sen. **Edward Kennedy** will attend a fund-raiser across town. Miss Ronstadt plans a private affair with about 60 guests, including fellow rock stars and music industry executives. About 2,400 persons already have paid $200 each to attend a Democratic fund-raising dinner — with Kennedy as guest speaker — at the Los Angeles Coovention Center . . . Former President **Richard Nixon** was host of a $1,000-per-person Republican fund-raiser at his estate in San Clemente, Calif., in a farewell reception for 400 friends and political supporters. The Nixons have sold the estate — reportedly for about $2 million — and expect to move early next year to an apartment in New York, where they will be closer to their daughters.

* * *

During the five years he served as Britain's chief delegate to the United Nations, **Ivor Richard** came to find the United States what he calls "a very easy country to live in." So the affable lawyer-diplomat, out of a job at the UN but not wishing to give up New York, started listening to job offers. Recently he was named counsel to Chadbourne, Parke, Whiteside & Wolff, a leading New York law firm, and in January he will join the faculty of the New York Law School. Richard, who will continue to practice law in Britain, said he intends to spend about half of his time in the United States.

* * *

Albert Kumin, who has been the pastry chef at the White House since February, will be leaving at the end of January. The Swiss-born pastry chef, whose incomparable cakes and desserts earned him his reputation at such New York restaurants as the Four Seasons and Windows on the World, will return to the staff of the Culioary Institute of America io Hyde Park, N.Y. Denying rumors that he felt the workload was too heavy in the White House kitchen or that there had been a rift between him and **Henry Haller**, the head chef, Kumin said that his main reason for leaving was the high cost of housing in Washington. "If I sell my house in Rhinebeck, N.Y., I would get only $43,000 for it," he said. "You can't begin to find a house here [in Washington] for less than $70,000." Kumin's salary is $27,000 a year.

—SAMUEL JUSTICE

هكذا من الأصل